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Oil Glut Starting to Hurt Producer Nations

By David B. Ottaway
Washington Post Service

NEWS ANALYSIS

BEIRUT — The persisting glut on the world oil market, engineered almost entirely by Saudi Arabia, is beginning to cause serious repercussions in a number of petroleum-exporting nations and has touched off the most intense struggle between producers and Western companies in nearly a decade. Companies that willingly paid

Many Western Firms Challenging Price Structure

fail to lure once-hungry Western customers. Not since the start of the last decade have the oil companies dared to challenge the producers so boldly over prices. Since the boycott during the 1973 Arab-Israeli war and the increases that followed, there has not been a sustained glut permitting such a reaction.

The glut is explained partly by a dramatic drop in Western imports, particularly by the United States, which is buying about 3 million barrels a day less than it did two years ago. But to a large degree, the oil surplus has been manufactured by Saudi Arabia, which with a steady output of 10.3 million barrels a day accounts for nearly half of all exports of the Organization of Petroleum Exporting Countries. Riyadh has, in effect, sided with and used the Western companies to work against its opponents within the organization.

While there is no hard evidence of collusion, several of the biggest U.S. companies — Exxon, Mobil, Texaco and Standard Oil of California — are all long-time partners of the Saudi Ara-

bia in the Arabian American Oil Co., and are still responsible for marketing the bulk of the kingdom's oil at prices set by the Saudi government. The ultimate consequences of what may turn out to be a short-lived phenomenon are still far from clear. But the bitter power struggle within OPEC is threatening to tear the cartel apart.

'Monumental Struggle'

"It is a very, very big struggle, a monumental one, for control of the market," remarked Robin Munnock, managing editor of the Beirut-based financial weekly Arab Report and Memo. At stake is not only whether Saudi Arabia eventually will impose its will on the other 12 OPEC members, but also whether consumers in the West will save tens of billions of dollars in oil and gas bills during the next few years.

In addition, the crisis jeopardizes the development plans, budgets and possibly even the futures of some governments, which had counted on far higher revenues than they are now getting to meet the expectations of their citizens.

As Riots Spread, U.K. Seeks New Deterrents

and pressing the highest-priced producers to make major cuts. Italian, British and U.S. companies are demanding that Libya drop the price of its high-quality crude by as much as \$5. In France, the state-controlled Compagnie Francaise des Petroles has balked at purchasing Mexican oil even after a \$4 price cut.

Virtually all the major companies are refusing to take what they now regard as vastly overpriced oil from Libya, Algeria, Nigeria and Gabon, which had been getting \$40 to \$41 a barrel for oil used primarily for gasoline. In their attempt to force a price reduction, the companies have been greatly aided by a recent decision of the British and Norwegian governments to cease pegging the prices of comparable North Sea oil to those of African producers, aligning them instead with the far lower rates of Saudi Arabia.

Saudi light crude is set at \$32 a barrel, the lowest rate of any OPEC producer and the one the Saudi government is apparently trying to establish as the pacesetter for the entire organization.

'Criminal Hooliganism' Cited

On Saturday, police throughout England moved in at the first sign of rioting, which they described as increasing motivated by criminal hooliganism.

Other riots, which the political sources said bore no apparent links with the first outbreaks of violence in London, Liverpool and Manchester a week ago, spread to the seaside resort of Blackpool, the northern industrial towns of Leeds, Halifax and Huddersfield and the south England port of Southampton.

In the fishing port of Hull, police described a frenzy of window breaking as pure hooliganism unrelated to anything else. Elsewhere, cars were overturned and police were attacked with bricks and bottles. Four policemen in Southampton were injured when their car was stoned and crashed. Police in Leicester said that acid was thrown at them.

In London Saturday afternoon, about 300 youths, including juveniles as young as 12, appeared in courts on charges stemming from the riots. The maximum sentence imposed was three months in jail.

Swift Sentences

Prime Minister Margaret Thatcher spent much of Saturday night with police, watching them deal with troubles in London. Informed sources said she was told by Home Secretary William Whitelaw that the rioting should be stamped on "hard and fast and sharp."

Political sources said that the government may announce this week special courts to deal with what police have increasingly described as criminal attacks. The proposal is intended to impress rioters by swift and heavy sentences. Courts could meet within hours of a riot, and those accused would be deprived of their right to trial by jury.

In addition to the courts, along the lines of those previously set up to deal with quickly moving hooligans, Mr. Whitelaw has said there were plans to fine parents of children aged under 17 found guilty of street violence. Police have complained that children aged between 9 and 16 had taken part in the Liverpool riots.

Sir Robert Mark, the former London police chief, called Saturday for the process to be speeded up. "Punishment a year after the offense is of little deterrent value," he said.

But The Sunday Times commented: "One would have thought that experience in Northern Ireland would have been sufficient lesson that such perceptions of the judicial system corrupt the system and alienate the people."

With more than 500 policemen injured in the disorders during the

Israel Raids Palestinian Bases As Begin, Habib Renew Talks

JERUSALEM — Israeli jets struck at Palestinian guerrilla targets in Lebanon on Sunday as U.S. envoy Philip C. Habib renewed his contacts with Prime Minister Menachem Begin in an effort to defuse the Lebanon crisis.

The Israeli Military Command said the planes attacked anti-aircraft gun emplacements, ammunition dumps and bunkers at a Palestinian base near Naameh and Damour, 20 kilometers (12 miles) south of the Lebanese capital. The command said the planes returned safely.

Residents and local guerrilla commanders were quoted as saying that more than 20 persons may have been killed. There was no official report of casualties. Security officials told reporters they feared casualties would rise because rescuers had already rushed to the scene when the final Israeli attack came.

It was the first time the Israelis had sent their planes into Lebanon while Mr. Habib was on an Israeli leg of his two-month-old shuttle. Last Friday, Israeli planes went into action while Mr. Habib was in Lebanon.

Syrian jets scrambled over Lebanon's Bekaa Valley as the Israeli planes struck, apparently to guard against an attack on Syria's Soviet-made, ground-to-air missiles there,

according to the rightist Voice of Lebanon radio station. The broadcast said there was no contact between Syrian and Israeli planes, and there was no confirmation of the report from Syria, Lebanon or the Palestine Liberation Organization.

The main target of the 90-minute strikes was a base sprawled on the hills overlooking the 8-kilometer (12-mile) coastal stretch between the towns of Naameh and Damour, reports said.

The base belonged to the Popular Front for the Liberation of Palestine-General Command, a radical group supported by Syria and Libya.

Israeli jets hit the same base May 28. The Israeli command said at the time that Soviet-made SAM-9 missiles supplied by Libya were destroyed in the attack. The PFLP-GC conceded that four Libyan "volunteers" were killed.

Mr. Habib had a two-hour meeting with Mr. Begin, Israeli Foreign Minister Yitzhak Shamir and other officials.

"I had a good meeting with the prime minister, and I'm going to be continuing my mission as I have in the past," Mr. Habib said. Mr. Habib refused to respond to questions about whether Israeli raids would make his mission more difficult.

Expected Pentagon Budget Overruns Threaten Reagan Economic Program

By George C. Wilson
Washington Post Service

WASHINGTON — The Pentagon's budget, which is already at a record level for fiscal 1982, is likely to run as much as \$10 billion over projections for the following fiscal year. This poses a serious threat to President Reagan's whole economic program, including his pledge to balance the federal budget by 1984.

Frank C. Carlucci, deputy defense secretary, acknowledged in an interview that the administration's rewrite of President Carter's final two military budgets is running \$2 billion to \$10 billion more than had been anticipated in bills coming due in 1983.

The overrun would make it more difficult for the administration to meet its spending targets in future years. Congress has cut nearly \$40 billion in spending from the 1982 budget, and, according to administration figures, will need to cut at least \$30 billion more from the 1983 budget and \$44 billion from the 1984 budget if it is to be balanced.

Those figures do not reflect the higher-than-anticipated defense spending, which a secret internal Pentagon memo puts at \$6 billion. The memo warns that Mr. Reagan either must raise the ceiling for military spending or do without some of the weapons he has ordered.

The record high peacetime budget of \$222 billion for fiscal 1982 will have to be raised by 9 percent after allowing for inflation, rather than the 7 percent planned, to accommodate the projected increases, the Pentagon memo said.

"Even the planned 7-percent growth in fiscal 1983 through 1987 does not permit the services to implement all the programs planned earlier," the memo said. It cited Mr. Reagan's decisions to build a new bomber, raise military pay and construct more ships as examples of initiatives that will add about \$38 billion to the fiscal 1983 defense budget.

Mitterrand and Schmidt Find 'Common Language'

BONN — French President Francois Mitterrand said Sunday that he and Chancellor Helmut Schmidt have a "common language," and he said that European security is threatened by the military "imbalance" of East and West.

Arriving Sunday on his first official visit to West Germany, Mr. Mitterrand told West German television after a first meeting with Mr. Schmidt: "It was very easy to find a common language. We share essential objectives."

Mr. Mitterrand said it was wrong to describe French-West German relations as "the Paris-Bonn axis," but he was confident that close cooperation between the two countries would continue.

On the question of East-West military balance in Europe, Mr. Mitterrand said that the Soviet Union had upset it by deploying SS-20 nuclear missiles and Backfire bombers.

"The balance of power is a condition for peace. I really think that the latest initiatives and steps

Myth and Metaphysics Border on the Rhine

By John Vinocur
New York Times Service

KÖNIGSWINTER, West Germany — Across the river, glowing, is the city, the capital of West Germany and a capital of nebulosity, a place so politicized that even cabdrivers ask if they can go off the record to answer a question.

On this side of the Rhine, a four-minute ferry ride away, sits Bonn's psychic opposite: Königswinter. In legend, it is healthy country, the land of the Nibelungs, the shy dwarf kingdom that bedeviled Siegfried. In fact, it is a place of donkey rides and a plaster dragon, a bar calling itself the Dwarf-Trough and two-man accordion and Hammond organ dance bands that thump out "Besame Mucho" on Sunday afternoons for the gallants from the town's wheel factory and the women who sit waiting, fanning themselves with beer coasters.

Bonn does not come to Königswinter (the head of the local tourist office says so) and Königswinter does not head much for Bonn, except the town manager explains, to buy wedding dress or rent a tuxedo. Königswinter is a funny hat of a place — relaxed, human, open and in its own mind, spiritually incompatible with Bonn. Why else would the Chamber of Commerce omit any mention of the capital in its new brochure, "Fabulous Königswinter"?

Bonn bathes in the abstract and a meta-

Polish Congress

A list of four candidates for party leader — each representing a different faction in the Polish Communist Party — has been prepared for delegates to the emergency congress that begins Tuesday, sources say. Page 2.

Ghana Massacre

A barroom brawl was the spark for the explosion of tribal fighting in northeastern Ghana last month in which more than 500 died. Page 5.

More Ulster Unrest; Bomb Factory Found

BELFAST — Guerrilla snipers fired on British troops and police in several areas of Belfast early Sunday and police uncovered a big Irish Republican Army bomb factory near the city center, security authorities said.

It was the fourth straight night of violence in Roman Catholic areas of Northern Ireland since the death Wednesday of IRA hunger striker Joe McDonnell in the Maze prison near here.

No casualties were reported among security forces, but a Royal Ulster Constabulary spokesman said two young Catholics were admitted to the hospital with gunshot wounds. It was not clear who had shot them.

In Londonderry, police fired plastic bullets at IRA supporters hurling gasoline bombs. Several buildings were gutted, but no injuries were reported. Rioting also flared in Pomeroy, 40 miles (64 kilometers) west of Belfast, after police tore the Irish republican tricolor off lampposts.

The fighting heightened tensions on the eve of provincewide Protestant marches and rallies marking the 29th anniversary of the Battle of the Boyne. More than 100,000 Protestants were expected to turn out to mark William of Orange's 1690 victory over the Catholic forces of James II.

Hope of ending the hunger strike by eight IRA activists in the Maze faded Saturday night with the departure of the Irish Commission for Justice and Peace for Dublin and a statement issued on behalf of the hunger strikers demanding direct talks with the British.

The London government has repeatedly refused face-to-face negotiations.

The five-man commission, a body of Catholic clergymen and laymen, tried to mediate a settlement last week.

Five hunger strikers have died since the fast began March 1. The next prisoner likely to die is Kieran Doherty, 25, who Sunday was on his 52d day without food.

Inside Ottawa Summit

In preparation for the summit of Western leaders in Canada, experts known as "sherpas" have been preparing position papers. In a New York Times roundtable, several likely issues are discussed. Page 4.

Rahmed Castle

Now the day-trippers come, hard-working people mostly, cigarette packs rolled into the sleeves of their T-shirts, walking away from the Rhine and toward the Drachenfels, up a street of souvenir hawkers

who sell canes and straw hats and plaques with inscriptions that read, "If in the evening wine cups clink, then by moonlight love shall wink." Many of the visitors are Dutch, drawn, it seems, by the sight of real hills, the first south of the lowlands.

There is a ruined castle on top of the hill, above the dragon's cave, above a snake show, and above the hall of the Nibelungs, which, built about 70 years ago in a spasm of nationalism, is a cross between a bunker and a mausoleum. It houses some paintings from the Siegfried legend, a bas-relief of Richard Wagner, and the command, chiseled in stone: "Honor Thy German Master." The way to the top is by cog railway, by donkey or on foot.

It is not possible to get lost. These days, a trail of Quench wrappers, a Germanic Kool-Aid derivative, pronounced Kewch locally, leads straight to the top. En route, besides the dragon's cave, there are coin machines with a peep show, a fortune-teller and a shooting gallery.

Perhaps best of all, is Schloss Drachenburg, a kind of Gothic castle, built in the last century by a baron who made money on stocks. It has been vaguely and selectively restored with a gilded copy of the Venus de Milo and murals that might be comfortable on the walls of a pizzeria. But it is not a boring place; just the opposite: There's something nice, something friendly, in the castle's scragginess, its lack of earnestness or ambition.

"Königswinter is a funny hat of a place — relaxed, human, open and in its own mind, spiritually incompatible with Bonn."

book "A Small Town in Germany," decided to locate the house of Leo Harting, the embassy outcast who behaves like a spy, in Königswinter. Mr. Le Carré, who was called David Cornwell when he worked at the British Embassy in Bonn, lived in Königswinter, too, and seemed to feel that it was more than a ferry ride away from the establishment.

Sounding a bit like the foreign minister of a little country cautiously discussing a big, aggrandizing neighbor, the town manager, Franz Josef Schmitz, said: "We don't have any special relationship with Bonn. We have a common border, of course. We're interested in small things, the human things. This is our way.



British Prime Minister Margaret Thatcher observed the direction of police operations against rioters in London Saturday night with Commissioner Douglas Cree at Scotland Yard.



Police said the IRA bomb factory was discovered in a garage 150 yards from the route the Protestants were to take through Belfast. A police spokesman said that a patrol found several hundred pounds of homemade explosives in bags and beer kegs, along with detonators, timers and other materials, and that three men had been arrested after a rooftop chase.

The seizure was the latest in a string of reverses for the IRA's militant Provisional wing. Two suspected bombers were captured south of Belfast early Saturday and six IRA activists were arrested by troops in Belfast Friday after a gunfight during Mr. McDonnell's funeral.

Police identified a gunman wounded in the funeral shooting as Patrick Adams, 30, brother of Gerry Adams, vice president of Sinn Fein, the IRA's political front.

Direct Talks Demanded

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Kania Has Competition for Leadership

By John Darnton
New York Times Service

WARSAW — A list of four candidates for party leader — each one representing a different faction in the Polish Communist Party — has been prepared for delegates to vote on at the special congress that begins Tuesday, reliable sources said Sunday.

The list includes Stanislaw Kania, the current leader, who is expected to win easily in direct voting by 1,964 delegates. The three other candidates include two prominent conservatives and a liberal.

The conservatives are Stefan

Olszowski, a ranking Politburo member who in recent months had attempted to restrain press and television, and Tadeusz Grabski, a conservative who launched a challenge against Mr. Kania at a Central Committee meeting June 10. Mr. Grabski said at that time that Mr. Kania was incapable of leading the country out of its crisis.

Saturday Meeting

The fourth candidate, whose name was not provided, was said to be a prominent liberal in the upper leadership.

Reliable party sources said the names were agreed on at a meeting

Saturday attended by Mr. Kania and other top officials and the 85 delegates from the party hierarchy who will be attending the congress.

The names of the four candidates were those most frequently recommended by party organizations in the 49 provinces. Additional candidates were expected to be proposed from the floor before the voting begins Tuesday.

Reliable sources said that Mr. Olszowski, who has assumed a more moderate stance in recent weeks and drawn closer to Mr. Kania, has already decided to withdraw from the race for first secretary, leaving the congress with a

clear choice of Mr. Kania or someone to his left or right.

It is unprecedented in Poland for a party leader to be elected by the entire congress, and if Mr. Kania succeeds, as he apparently will, his stature will be increased because his mandate will come from the entire party, not just the Central Committee.

Voting for members of the Central Committee will come at a later stage in the congress. The committee will be expanded from its current strength of 142 members to 200 members. Only 42 of the current committee are delegates, and a number of those are expected to lose. The committee that emerges from the congress, and that will choose a Politburo, will for all practical purposes be entirely new.

The meeting of central authorities Saturday also prepared a list of officially backed candidates for the Central Committee vote. Sources said that no major figures in the party leadership were dropped. But they noted that candidates proposed from the floor could considerably alter the committee that is finally approved.

Mr. Olszowski is rapidly becoming a central figure in the behind-the-scenes maneuvers. At the party plenum in June, he did not join Mr. Grabski in the challenge against Mr. Kania, which effectively saved Mr. Kania. He is also regarded with favor by the Soviet Union and especially by Andrei A. Gromyko, the Soviet foreign minister, who visited Warsaw a week ago for discussions on the congress.

Mr. Olszowski is reportedly in line for a new post, as head of a party presidium, a new institution that would plan and assist the Central Committee. The creation of a 40-member presidium, which would act as a check on the power of the Politburo.



BACK HOME — Archbishop Jozef Glemp, newly appointed primate of Warsaw and Galeszo, pauses to write his autograph, using the back of an attendant as a desk, during a ceremony on his pilgrimage to Czestochowa.

9 More Leftists Executed in Iran; 90 Held

From Agency Dispatches

BEIRUT — Nine leftists were executed Sunday in Iran and 90 were arrested in the past two days, Tehran Radio reported, as a crackdown on secular opponents of Ayatollah Ruhollah Khomeini's Islamic revolution moved into a fourth week.

Iran's Interior Ministry, meanwhile, said the 12-man Council of Guardians delayed until Monday the announcement of its verdict on the qualifications of 71 aspirants for the July 24 presidential elections to replace ousted head of state Abolhasan Bani-Sadr.

In Washington, U.S. banks surrendered nearly \$2 billion in frozen Iranian assets to the U.S. Federal Reserve Bank on Saturday as part of the agreement that led to the release of 52 U.S. hostages in Tehran last January.

The U.S. Treasury had imposed a late morning deadline for the transfer of Iranian financial assets frozen by former President Jimmy Carter in November, 1979, in retaliation for the taking of the hostages. The United States had agreed to return the frozen assets by July 19.

Treasury officials in Washington said an undetermined amount of Iranian assets had not yet been surrendered but that they expected them to be delivered on Monday. They said technical problems and the relatively short notice given the banks was probably why not all of the money has been accounted for.

There is also some question about how much was due to be returned to Iran, officials said.

The Treasury has said for some time that it believes Iran has assets worth about \$2.08 billion in the United States, excluding interest. But officials said the Treasury was not certain how much interest Iran would receive from U.S. banks. "That will have to be negotiated," a spokesman said.

The financial assets surrendered to the Fed will be transferred to the Bank of England. Under the agreement, Iran will then be required to set aside \$1 billion to pay U.S. claims against it.

Tehran Radio said five male members of the underground Mujahaddin (People's Crusaders) group died before firing squads in the Caspian Sea resort of Behshahr at daybreak Sunday. They were charged with staging anti-government riots to protest Mr. Bani-Sadr's impeachment.

Two other Mujahaddin members and two insurgents of the Kurdish Democratic Party were executed at dawn in Kurdistan's provincial capital of Sanandaj in northwestern Iran for taking up arms against the Islamic Republic, the broadcast said.

This brought to 162 the total of officially announced executions in Iran since Mr. Bani-Sadr was fired by Ayatollah Khomeini as Iran's president on June 22.

Tehran Radio said the new arrests were made in raids on the group's hideouts in Tehran, Zanjan in the north and Zarrand in central Iran on Friday and Saturday.

A spokesman for the Interior Ministry reached by telephone from Beirut said the Council of Guardians had not yet passed its verdict on the presidential contestants. Official announcement of the Council's ruling will be made on Monday, he said.

Hassan Ayat, a member of the Majlis (parliament), told reporters in Tehran that the Council had cleared only six or seven of the 71 aspirants so far and that most of the rest would be declared unfit to run.

Mr. Ayat said among those cleared was Premier Mohammed Ali Rajai, the front-runner who is backed by the dominant Islamic Republican Party and 10 other powerful Muslim associations.

Tehran newspapers said Saturday that Fatollah Bani-Sadr, a brother of the former president, had been arrested. They said he was picked up along with Mostafa Entezariyan, an aide of the ousted leader.

Kaunda, Mugabe Vow Closer Ties, Assail S. Africa

SALISBURY — President Kenneth Kaunda of Zambia and Prime Minister Robert Mugabe of Zimbabwe have pledged to strengthen economic, political, military and security ties between their countries.

In a communiqué Saturday at the end of Mr. Kaunda's first state visit to Zimbabwe, the two leaders pledged their solidarity with other southern African states against "aggression by the South African racist regime." They also praised black nationalist movements in South Africa and urged the international community to increase its aid to the guerrillas fighting South African rule in South-West Africa (Namibia).

"We are going back very happy indeed," Mr. Kaunda said before leaving with his delegation. "What we have been able to see shows clearly that the Zambezi [River along the Zimbabwe-Zambia border] is not going to divide us. It is going to unite us."

Relations between the two leaders had been strained before Zimbabwe's independence in April, 1980. Mr. Kaunda backed Mr. Mugabe's political rival, Joshua Nkomo, during the guerrilla war against the previous white-minority regime.

Italian Coalition Wins Approval

ROME — The new centrist government of Premier Giovanni Spadolini, which had already won Senate approval, has easily won a confidence vote in the Chamber of Deputies, 369 votes to 247.

In what appeared to be an appeal to the opposition for a political truce in the confidence debate on Saturday, Mr. Spadolini called his five-party coalition government the weakest in Western Europe.

He is due to hold ministerial talks on Tuesday to discuss ways of working to reduce Italy's 20 percent inflation rate and of reaching an agreement between unions and employers over wage indexation.

Bolivian Leader To Retain Post

LA PAZ — President Luis Garcia Meza said on Sunday that he would stay in power despite an earlier promise to step down next month.

Gen. Garcia Meza, who has fought off several attempted coups since he ousted the constitutionally elected president, Lidia Gueiler, last July was urged to make an announcement by 20,000 supporters crowding La Paz' main square.

After listening to chants of "Let him make up his mind, now or never," the army general declared: "Well, as you have already made up your minds, I will stay." Several speakers had earlier urged the general to withdraw his promise to step down on Aug. 6 in favor of a successor chosen by Bolivia's armed forces.

Mitterrand and Schmidt Hold Conference in Bonn

(Continued from Page 1)

working hours that Mr. Mitterrand has launched in France and wants to extend throughout the EEC.

The French government wants this done on the basis of formal agreements between employers and trade unions in what Mr. Mitterrand has called a European social area, the spokesman said.

French Finance Minister Jacques Delors, one of the key men accompanying the president, was quoted Sunday by the West German newspaper Der Spiegel as saying he had found considerable agreement among EEC finance ministers for French ideas on the gradual introduction of a 35-hour workweek in the European Community.

West German government sources said Mr. Schmidt would seek clarification of several points in the social plan for Europe outlined by Mr. Mitterrand at his

Pentagon Budget Up

(Continued from Page 1)

what happened during the previous administration.

Asked whether he believed the 7-percent increase would be enough, Mr. Carlucci reflected for a moment and said quietly: "It's going to be a real challenge."

At the same time, he conceded that raising the defense budget higher than projected in fiscal 1983 would imperil the nation's always fragile pro-defense consensus. The risk will be especially high next year, he added, because the pain from this year's domestic budget cuts will have been felt by then.

"It is clear to us that in order to maintain the consensus in favor of a strong defense, a consensus which we think we have, it is going to be most important for those on the management side in the Pentagon to demonstrate greater efficiencies, that we're getting maximum value for the taxpayer's dollar," Mr. Carlucci said.

He emphasized that the only way to correct what the administration regards as the adverse military balance with the Soviet Union is to keep increasing the U.S. defense budget year after year and not go up and down as in the past.

Jewelry Worth \$1 Million Taken At Riviera Hotel

The Associated Press

ROQUEBRUNE-CAP-MARTIN, France — Investigators revealed Sunday a million-dollar theft at the Monte Carlo Beach Hotel and said they were searching for a key suspect. It was the second-largest jewel theft on record in the Riviera region and the fourth major jewel robbery in little over a year.

Officials said they strongly suspected the crime was an inside job. The robbery at the luxurious hotel, where the price of a room can climb as high as \$160 a night, occurred early Friday but was not made public until Sunday.

Police officials said about \$1 million in jewels was stolen from nine of the hotel's safe deposit boxes, as was \$26,000 in cash and foreign currencies. An arrest warrant has been issued for a night clerk at the hotel. Police said the 43-year-old Australian, who had worked at the hotel for only about seven months, has been missing since the theft.

The break-in at the 46-room hotel was the latest in an escalating number of hotel jewelry robberies along the Riviera. So far this year, thieves have reportedly made off with jewels worth about \$2 million from hotel safes in Monaco and Cannes.

Script Writers In U.S. Reach Tentative Accord

Los Angeles Times Service

HOLLYWOOD — A tentative settlement has been reached in the three-month writers strike against major motion picture and television producers after writers won a guaranteed share of revenues from the growing pay-TV and home video markets.

Both sides said that settlement of the protracted strike Saturday would mean that the new autumn television season may be only slightly delayed if producers immediately accelerate production schedules.

Elated leaders of the 8,500-member Writers Guild of America hailed the proposed contract, scheduled for a ratification vote by the rank and file Tuesday, as a new standard for the industry through the rest of this century.

Writers would receive an overall 52 to 57 percent increase in minimums paid for scripts over the contract period. The contract is retroactive to March 1.

A script for a high budget theatrical motion picture, which now brings a minimum of \$36,326, would bring \$39,955 at the end of the contract period. But, of far greater long-range importance to writers, was the accord reached over the pay-TV issue, which has sparked three strikes against the industry since last summer — first by two actors' unions and then by the writers.

WORLD NEWS BRIEFS

Rioters Destroy Government Offices in Kano

LAGOS — State government offices were destroyed and officials' homes looted in the northern Nigerian city of Kano when rioting broke out after the Kano state governor threatened to dismiss a local Moslem dignitary, reports reaching here said. No deaths or injuries were reported.

Nigerian television reporters in Kano said in a telephone call to Lagos that the state radio station, House of Assembly, several ministries and the governor's official residence were damaged or destroyed in the disorders Friday. Several cars were burned. No damage was reported to Nigerian federal government offices.

The governor was out of town at a meeting, the reporters said, and the traditional Moslem ruler, the emir, remained in his palace. The Nigerian news agency said police reinforcements had been sent to Kano, 550 miles (880 kilometers) northeast of Lagos, and the rioters said the city was calm by the weekend.

114 SWAPO Men Reported Killed in Angola

The Associated Press

WINDHOEK, South-West Africa — South African troops struck black nationalist bases deep inside Angola last week, killing 114 guerrillas in the bloodiest week this year of the bush war in South-West Africa (Namibia), the territory's military commander announced here.

Maj. Gen. Charles Lloyd said Saturday that his men had avoided contact with Angolan forces. Angola allows guerrillas of the South-West Africa People's Organization to launch raids into the territory to the south in their war against South African rule.

The Sunday Times of Johannesburg said Angola claimed the number of killed was 127 and Angolan soldiers were included. Angola also reportedly claimed the South Africans had pushed 90 miles (150 kilometers) across the border. Two South African soldiers and one member of the South-West African territorial force were killed, the newspaper said.

New Zealand Activists to Protest Rugby Tour

WELLINGTON, New Zealand — Activists opposing the South African Springboks rugby tour of New Zealand announced Sunday plans for civil disobedience in a "concerted and consistent active protest."

The Springboks are to arrive at Auckland next Sunday for their two-month, 16-match tour.

Pauline McKay, chairman of an anti-apartheid group that met in Wellington during the weekend, said that nationwide civil disobedience would be nonviolent — but "we are not an army and we can't issue orders."

Belgium Seeks to Limit 1982 Budget Deficit

BRUSSELS — The Belgian government aims to limit next year's budget deficit to 200 billion francs (\$5 billion), government sources said Sunday.

Senior ministers agreed on the target ceiling at a meeting Saturday, and Premier Mark Eyskens told reporters that spending would have to be reduced by more than 100 billion francs (\$2.5 billion). Government sources said it was decided at the meeting that the public sector's national requirement next year should not exceed 12 percent of gross national product. They said the forecast GNP growth in 1982 is 7.5 percent.

Growing unemployment and recession have added to the budget deficit and boosted social security spending, forcing up the budget deficit and prompting disputes between the government's Socialist and Christian Social coalition partners on how to handle the crisis.

Lightning Bolt Sets Oil Tanker Ablaze in Italy

GENOA — At least two crew members were killed and four persons reported missing on Sunday after a lightning bolt lit a Japanese oil tanker, causing a huge explosion that sent parts of the vessel into the air and set it ablaze, port officials said.

The lightning struck as the 59,000-ton Hakuyoh Maru finished unloading its cargo of Algerian crude at the Mulino oil refinery port near Genoa. Witnesses said the explosion followed a clap of thunder that shook the port and shattered the windows of nearby buildings.

Many of the 31 crew members, nearly all South Koreans, leaped into the water and were rescued by port workers. Others were rescued from the tanker, which had been set ablaze. The fire spread quickly throughout the ship but was brought under control.

World Oil Glut Beginning To Hurt Producer Nations

(Continued from Page 1)

year contract with Swiss traders for 100,000 barrels a day, and Libya is said to have offered a \$1.10 discount to British Petroleum on the sale of 55,000 barrels that BP no longer wanted.

Some analysts in Beirut believe there are limits to how far Saudi Arabia can go in unbalancing its fellow oil exporters.

For this reason, they do not rule out an emergency OPEC meeting before the next regular gathering in December to seek a compromise. This almost certainly would involve a Saudi cutback in production in return for an acceptance of Saudi demands for lower prices and for a system of regular increases based on inflation rates and currency values in the West.

On the key foreign policy issues of relations with the Soviet Union and nuclear strategy in the Western alliance, Mr. Schmidt has already won more public support from Mr. Mitterrand than he enjoyed from his conservative friend, former French President Valéry Giscard d'Estaing.

The New York-based Petroleum Intelligence Weekly estimates that total OPEC production has sunk from 25 million to about 22 million barrels a day since the beginning of the year. In 1979, it was almost 32 million barrels a day.

Industry analysts are talking about a surplus of more than 2 million barrels a day on the market. But this may be an exaggeration, as spot prices have recently been rising slightly, a sign the glut may be starting to dry up.

Meanwhile, the African oil producers are desperately trying to hold the line. At a meeting in Algiers in mid-June, they pledged to keep their high prices and stand up collectively to the Saudi challenge.

Mexico has threatened France with the loss of lucrative supply contracts for development projects and has even ordered French firms to withdraw their bids on them. This has spurred the French government into ordering the Compagnie Française des Pétroles to reopen negotiations for the purchase of Mexican oil, even if it is unwanted.

Still, reports suggest the African producers are slowly yielding to market forces. Nigeria is reported to have agreed in early July to a \$2.50-a-barrel discount on a two-

Bacterium to Eat Agent Orange Created in U.S.

United Press International

CHICAGO — Researchers at the University of Illinois Medical Center have announced that they have created a bacterium that eats the defoliant Agent Orange.

The bacterium feeds on a chemical that was widely used during the Vietnam War and that has been linked to birth defects and other ailments. "This raises the hope that we can eliminate Agent Orange from the environment," Dr. Ananda Chakrabarty, head of the research effort, said on Friday.

Dr. Chakrabarty said the new bacterium was "created" through genetic engineering techniques and grows as long as it has enough 2,4,5-T, the herbicide in Agent Orange, on which to feed. In the presence of carbon dioxide, water and hydrochloric acid are produced. When the supply of 2,4,5-T is exhausted, the bacterium dies.

"We are accelerating evolution by making bacteria that never existed in nature before to degrade modern man's synthetic wastes," Dr. Chakrabarty said. "Bacteria break down complex compounds into materials that can be recycled by nature."

Synthetic compounds have not been around long enough for bacteria to have evolved to break them down. Dr. Chakrabarty said the new bacterium is so efficient that, in 7 to 10 days, it degraded 95 percent of the herbicide in a soil sample that had so much Agent Orange in it that nothing could grow.

44 Afghans Seek Political Asylum In West Germany

FRANKFURT — Forty-four Afghan refugees have applied for political asylum in West Germany after storming off a plane at Frankfurt airport.

The Afghans, including 10 children, arrived from Britain, where they were denied entry on Wednesday, on their way back to Pakistan.

Police said during the weekend that the Afghans dashed down the gangway in Frankfurt after 50 passengers with valid visas or West German passports left the airliner after midnight Friday.

They were stopped by police and sent back to the aircraft, but when they insisted they did not want to return to Karachi, they were allowed to apply for asylum.

Informed sources said that before going to Frankfurt, the Afghans remained for 24 hours at London's Heathrow airport.

4 Climbers Die in Alps

SIEN, Switzerland — Two Italian brothers and their partner were killed in a climbing accident near here last week, police announced during the weekend. The four were climbing Mount Blanc de Sillon when their oxygen tanks slipped at the summit. The group, aged between 20 and 30 years (2,800 feet) to the summit.

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The Spanish challenge.

Republicans Spurn Reagan; Take Cuts To Conference Panel

By Helen Dewar
Washington Post Service

WASHINGTON — Senate Republican leaders have spurned a last-minute appeal from President Reagan to accept the House version of his spending-cut plan and instead insisted on debating the nearly \$40 billion in program cutbacks in a conference committee.

The decision Friday to buck the White House amounted to at least a tentative reassertion of congressional prerogative over economic policy, which has so far been dominated by Mr. Reagan and his budget director, David A. Stockman. It also constituted a go-signal to Mr. Stockman, whose go-for-broke style of lobbying has frayed some sensitive nerves on Capitol Hill, especially in his latest effort to short-circuit the House-Senate conference on the spending "reconciliation" bill.

Agreeing with Mr. Reagan and Mr. Stockman that there are risks in a conference, Senate Majority Leader Howard H. Baker Jr., the Tennessee Republican, and Budget Committee Chairman Pete V. Domenici, a Republican from New Mexico, said that they nonetheless believed it would produce a better bill.

Mr. Reagan called Sen. Baker on Friday morning to throw his weight behind Mr. Stockman in

urging that the Senate Republican leaders accept the House-passed version of the spending cuts instead of risking a conference stalemate or rejection of a conference compromise on the floor in the Democratic House. Mr. Stockman had lobbied hard over the last few days to get the Senate simply to accept the House bill and thus forego a conference.

Mr. Baker submitted the issue to Republican committee chairmen and leaders, who voted 19-2 to insist on a conference. Sen. Baker then told Mr. Reagan of the decision during a meeting on another issue at the White House and reported afterward at a news conference that the president "heartily endorsed the decision once it was made."

It was the second time in recent weeks that Senate Republicans rebuffed a Reagan initiative on economic strategy. The first came when the Senate unanimously endorsed a Republican resolution rejecting Mr. Reagan's main proposals for Social Security cutbacks.

Domenici Led Fight
But both Sens. Baker and Domenici went out of their way to downplay the dispute as "an honest disagreement on the last step of the [budget] process," Sen. Baker put it, although Sen. Domenici made a point of publicizing his disagreement with Mr. Stockman on the conference issue.

Senators said it was Sen. Domenici, principal architect of the Senate reconciliation bill, who led the fight to resist Mr. Stockman's pressure against a conference. Reconciliation is congressional shorthand for program cuts designed to meet budget targets; in this case nearly \$40 billion worth of cutbacks in domestic programs to achieve a scaled-back spending target of \$695.5 billion for fiscal 1982. Even the Democratic-controlled House adopted most of Mr. Reagan's proposed cuts when conservative Democrats voted for a Reagan-backed substitute to cuts that had been proposed by House committees.

While the House and Senate versions were "almost identical" in about 75 percent of their provisions, according to Sen. Baker, he and Sen. Domenici said the differences were important enough to merit a conference.

According to Sen. Domenici, the critical substantive differences between the two versions of the measure include Medicaid financing, food stamps and nutrition, health block grants, Conrail funding and nonbudgetary items such as radio and television deregulation.

Turkish Court Jails Foreigners
ANKARA — A Turkish military court has sentenced a French doctor and nurse and an Iranian man and Lebanese woman to five months and 10 days in prison on charges of carrying Kurdish separatist propaganda, according to the semi-official Anatolian news agency.

It said Dr. Luc Devigne and the nurse, Annick Lanter, were sentenced Friday in the eastern town of Diyarbakir. The Iranian, Mustafa Kemal Davudi, and the Lebanese woman, Sahar Chamal, were sentenced the same day.

All four were detained on April 14. Police who stopped their bus in eastern Turkey said they found pro-Kurdish pamphlets, tape cassettes and maps in their possession. They were also carrying \$20,000 worth of medical supplies, the agency said.

Himalaya Floods Kill 6
KATMANDU, Nepal — Floods knocked down the border bridge on the only road between China and Nepal, sweeping away at least six persons, travelers arriving from the frontier said Sunday. The bridge, 72 miles (113 kilometers) northeast of here, collapsed Saturday night into the Bhoté Kosi River.



Smoke rises from a San Francisco area ravaged by a fire that caused \$3.5 million in damages.

Blaze in San Francisco Called Biggest Since 1906

From Agency Dispatches
SAN FRANCISCO — A fire that broke out in a former bathhouse for homosexuals has destroyed or damaged 24 buildings in what the fire chief of San Francisco called the biggest blaze in the city since fires following the 1906 earthquake.

The blaze consumed about half of a city block before dawn Friday, causing what officials estimated to be at least \$3.5 million in damage. It took 225 firefighters nearly five hours to extinguish the fire, which started about 2 a.m. No deaths were reported although firemen did not rule out the possibility that bodies might be found in the ruins.

Police said they have arrested Otis Bloom, 38, in connection with the fire. He was being held in

lieu of \$25,000 bail, but no charges had been filed against him. An arson task force is investigating the cause of the blaze.

Until recently, the structure where the fire broke out contained what was known as "The Barracks," a homosexual bathhouse. The immediate area includes several other homosexual establishments. The interior walls lacked flame-retardant covering, the fire chief said, contributing to the rapid spread of the fire, which quickly consumed a warehouse where a "sex potion" was stored.

The presence of the potion, a so-called stimulant named "Rush" that was kept in the warehouse at the back of the bathhouse, made the fire's origin suspicious, fire officials said.

Justice-White House Links Reviewed

By Jack Nelson
Los Angeles Times Service

WASHINGTON — In the wake of irregular contacts between the White House and the Justice Department, Attorney General William French Smith has warned presidential aides in at least "two or three cases" that they violated established policy by contacting Justice Department officials on pending criminal matters.

Both the White House and the Justice Department have written rules setting strict limits on contacts over pending cases — policies established to prevent political interference with the department's law enforcement duties.

Although he issued the warnings, Mr. Smith said in an interview with the Los Angeles Times that the post-Watergate era was over and that the Justice Department no longer need be operated as "an independent, isolated and pure bastion" free of White House influence.

At the same time, Mr. Smith said that the policies adopted by his predecessors in the Carter and Ford administrations to insulate the department from outside influence were outdated.

"They just made a religion of it," Mr. Smith said.

Climate Changed
"The climate in those times was that the Department of Justice had to be somehow an independent, isolated and pure bastion. Well, those times have really passed, and we really are much more collegial," Mr. Smith said, referring to the Reagan administration's practice of involving senior White House officials and others in a collective approach to important decisions.

Mr. Smith refused to identify the White House officials involved in the contacts on pending criminal matters or to discuss the nature of the cases.

He said he had personally delivered the new warning against such contacts to White House officials

about a month ago. Since then, he said, no more such contacts have come to his attention.

In a related indication of administration concern over the problem, a White House official who asked not to be quoted said that presidential counsel Fred F. Fielding recently sent a memo to presidential aides warning them to be extremely careful in their dealings with investigative, regulatory and contracting agencies when anything but policy matters were involved.

Mr. Fielding's memo said aides would be well advised to consult with the counsel's office before making such contacts, the official said.

The Los Angeles Times, quoting a Justice Department official who asked not to be identified, first disclosed at least two instances of irregular contacts between the White House and the department in a June 14 article concerning White House counselor Edwin W. Meese's powerful role at the White House.

The officials involved in those contacts were not identified. For several reasons such contacts are especially sensitive for Mr. Smith. For one thing, the 62-year-old Los Angeles attorney has been President Reagan's close friend and personal attorney for more than 15 years.

Also, there has been criticism within Mr. Smith's department that he has not been an assertive attorney general and that the White House, under Mr. Meese, has maintained an unusually high level of contact with the department, exerting undue influence over department policy matters.

In the interview in his office, the usually taciturn Mr. Smith vehemently denied that Mr. Meese or any other White House official had exerted undue influence over department policy. Moreover, he said he had put a stop to the unauthorized contacts on pending cases.

Mr. Smith said he had personally delivered the new warning against such contacts to White House officials

High Court's Conservative Rehnquist Seen as a Model for Reagan Nominee

By Linda Greenhouse
New York Times Service

WASHINGTON — Throughout the speculation that preceded President Reagan's selection of Sandra D. O'Connor for the Supreme Court last week was the prediction most often heard was that, regardless of gender, Mr. Reagan was looking for "another Rehnquist."

Despite similarities in origins and education — both Mrs. O'Connor and Justice Rehnquist practiced law in Arizona and were classmates at Stanford Law School — it is too early to tell if "another Rehnquist" has been found. But there is little doubt as to what that description means.

William H. Rehnquist is a symbol. People who have trouble naming all nine Supreme Court justices quickly identify him as its doctrinaire, rightist anchor, the very model of a Reagan appointment. In many respects, the image is not far off the mark. After nine and a half years, Justice Rehnquist is the court's most predictably conservative member, using his considerable intelligence, energy and verbal facility to shape the law to his vision of the proper relationship between the states and Washington, legislatures and judges, citizens and government.

Predictable Career
In one respect, however, the image is inaccurate. Mr. Rehnquist did not want to be "interpreted" rather than "made" law. But as one of the court's creative users — some say abusers — of precedent, Justice Rehnquist has done more than his share of "law-making," in the sense of leading the court into new areas of doctrine.

Unlike Mrs. O'Connor, Justice Rehnquist was a known quantity at the moment President Nixon nominated him to the court in 1971. As a private lawyer in Phoenix and as an assistant attorney general in the Nixon Justice Department, Justice Rehnquist often echoed the view that during the 1960s the Court had gone "too far" in weakening the peace forces as against the criminal forces in this society," as Mr. Nixon put it during the 1968 presidential campaign.

As head of the Justice Department's Office of Legal Counsel, he appeared 18 times before congressional committees to present the administration's views on such matters as wiretapping and obscenity. Little that he has said or done since becoming an associate justice at 47 has surprised observers of his earlier career.

Five years into Justice Rehnquist's tenure, the Harvard Law Review published a 64-page "preliminary" appraisal by Prof. David L. Shapiro, which the intervening years have borne out. On the basis of votes in hundreds of cases, the analysis concluded that "three basic propositions" guide Justice Rehnquist's work. When possible:

- 1) Conflicts between the individual and the government should be resolved against the individual;
- 2) Conflicts between state and federal authority should be resolved in favor of the states; and
- 3) Questions of the exercise of federal jurisdiction should be resolved against such exercise.

Last term, he wrote decisions upholding the all-male draft, rejecting a sex discrimination challenge to a California statutory rape law, and overturning a U.S. court order that had discovered and enforced specific federal rights for the mentally retarded in state institutions.

Lurking Principles
Part of Justice Rehnquist's influence derives from his alliance with Chief Justice Warren E. Burger, who assigns him opinions in important cases, particularly those in which only persuasive advocacy can cement a majority. The two rarely part company, voting the same way this past term, for exam-

ple, in 109 of the 121 cases in which both participated.

Opinions given Justice Rehnquist are produced quickly (his 31-page decision on Iranian assets took one week), with considerable flair and no small number of pungent epigrams. There is not "some

NEWS ANALYSIS

sort of one man, one cell principle lurking in the due process clause," he wrote in *Bell vs. Wolfish*, overruling a sweeping federal court order involving the constitutional rights of prisoners awaiting trial.

But there is substance to his style. He is one of the few members of the court who approaches the docket from a clearly

conceived ideological perspective. When most justices seem to consider each opinion in terms of the case at hand, Justice Rehnquist sows the seeds of future opinions in cases that will embody similar issues. This approach gives a tactical advantage to one who would move the court in a particular direction.

It is in dissenting publicly from a decision not to hear an appeal that Justice Rehnquist is perhaps most revealing. Unrestrained by the need to marshal a majority, he can, as he did several months ago, excoriate his colleagues for allowing death sentence appeals to drag on. He makes little apparent headway with such essays, but seems to take pleasure in using the court as his own bully pulpit.

Departure of U.S. Envoy Hailed by Afrikaans Press

By Joseph Lelyveld
New York Times Service

JOHANNESBURG — The Afrikaans-language press of the governing National Party is portraying the imminent replacement of the U.S. ambassador as a step by the Reagan administration to promote closer ties with South Africa.

Ambassador William B. Edmondson, a career diplomat, confirmed earlier this month that he would be ending his assignment in Pretoria before the end of July after a three-year tour of duty. It had long been known in diplomatic circles that the Reagan administration planned to appoint a new ambassador and Mr. Edmondson's departure at about this time had been expected.

However, an element of controversy was injected last month into what seemed to be a routine reassignment when Die Burger, an Afrikaans newspaper in Cape Town, declared in an editorial that the Reagan administration regarded Mr. Edmondson as an obstacle to the improvement of its relations with South Africa. The editorial appeared a few days after a State Department mission headed by Deputy Secretary William P. Clark visited South Africa for negotiations on the tangled issue of South-West Africa (Namibia).

Lack of Confidence
The newspaper did not cite any source for its assertion about the Reagan administration's view of the ambassador, but the editorial conveyed the impression that Mr. Clark or members of his mission had expressed a lack of confidence in Mr. Edmondson in talks with Prime Minister P.W. Botha or the foreign minister, R.F. Botha. Die Burger, which is especially close to the prime minister, commented that Mr. Edmondson's continued tenure in South Africa "can serve no purpose."

Initially, there was speculation among Western diplomats that the editorial might have the effect of prolonging the ambassador's stay. The assumption was that Washington would want to demonstrate that it was not responding to South African pressure in making what would otherwise have been regarded as a routine move.

Valuable Ally
But as soon as Mr. Edmondson's departure plans were confirmed, official sources here were quoted in the Afrikaans press as viewing the change as a harbinger of closer relations. Die Beeld, a National Party daily in Johannesburg, said it was told that the ambassador "was without doubt recalled because he is a spoke in the wheel of better relations between America and South Africa."

"Because the Reagan admini-

stration views South Africa as a potentially valuable ally against Soviet expansionism in Africa," Die Beeld's report continued, "someone else is expected to fit the new setup better than Mr. Edmondson."

The editorial comments appeared to reflect a hope in official circles that the new ambassador will be a political appointee rather than a career diplomat.

Various names have been mentioned in the press here as possibilities, including Edmund S. Munger of the California Institute of Technology, who has written that Americans do not sufficiently appreciate the capacity of the Afrikaners to promote peaceful change here; Weston Adams, described as a conservative lawyer from South Carolina who contributed to the Reagan campaign; Herman Nickel, a senior editor of Fortune magazine; Robert Cleeves, a conservative lawyer from California; and Peter Daigman of the Hoover Institute, who has written of South Africa's strategic value to the West.

India Rules Out Atom Inspection

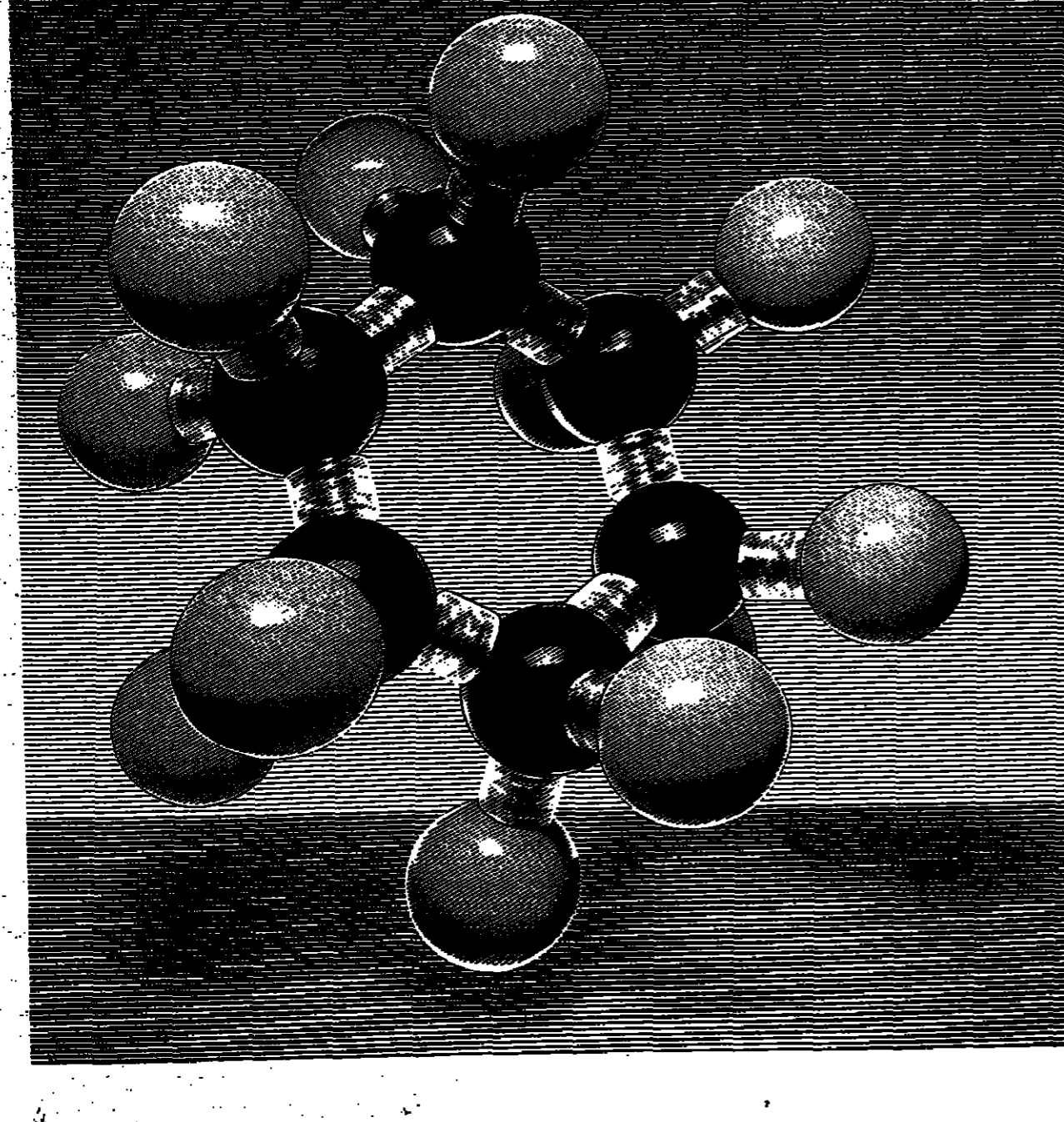
The Associated Press

NEW DELHI — India will not allow international inspection of its fifth nuclear power plant, to be built in Gujarat state in western India, the government has announced.

"The fuel, heavy water and technology for the proposed project would not be dependent on any outside agencies and the reactors would be outside safeguard restrictions," an official statement said on Saturday. Of the existing four, only the nuclear plant at Tarapur is open to international inspection.

Meanwhile, a government spokesman announced that the proposed July 13-14 visit of a U.S. team to discuss nuclear issues between the two countries has been "postponed at the request of the United States." The United States has held up shipments of enriched uranium to the Tarapur plant.

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Issues and Answers: U.S. Policy-Makers Preview the Ottawa Summit

On July 20, President Reagan will do what many other Americans have been doing to take advantage of the dollar's value against other currencies — he will go abroad. But instead of resting, he is likely to be listening to complaints from leaders of the six other non-Communist industrial powers about what his administration's right monetary policy and its consequent high interest rates are doing to their economies. France's new Socialist president, Francois Mitterrand, told a European Economic Community meeting in Luxembourg that their priority should be fighting "the scourge of unemployment" rather than inflation.

In preparation for the summit of Western leaders in Canada, experts known as "sherpas" have been preparing position papers for months. Leonard Silk, economic columnist for The New York Times, discussed the issues likely to be raised in Ottawa with Mr. Reagan's "sherpa," Myer Rashish, the new undersecretary of state for economic affairs, and Richard N. Cooper, who had that role in the Carter administration and is now a professor of economics at Harvard. Excerpts from their discussion follow:

Mr. Silk: This will be President Reagan's first summit. What do you think his first priority will be?

Mr. Rashish: I think the priority issue is where the economies of these seven principal industrialized countries are and appear to be going.

Mr. Cooper: I agree entirely. The European countries and, in their own quiet way, the Japanese, are very concerned about what they see to be the course of U.S. policy.

It's difficult to find a time in the last 20 years when the other industrial countries have been

entirely happy with U.S. economic policy. But at the present, they feel much aggrieved because it complicates their policies by its apparently exclusive focus on monetary magnitudes. The consequence of that, highly variable interest rates, pulls up the value of the dollar, or to put it the other way, pushes down the relative value of their own currencies. That forces them to maintain tighter monetary policies than they believe their domestic requirements call for.

Mr. Silk: Is there anything the president can do to accommodate these objections?

Mr. Rashish: The first observation is that a strong, dynamic, growing, noninflationary U.S. economy makes an important contribution to the economies of the other industrialized countries and to the milieu of international trade and finance in which they all work. So if we can get on a path of growth — noninflationary growth — we expect some of the immediate problems, high interest rates in particular, to be moderated.

Secondly, I don't think it is uniquely our economic policy, and the high and volatile interest rates which have attended it, that have caused the problems for the other industrialized economies, notably France and Germany.

Mr. Silk: Dick, this is not your administration, but if you were advising it, are there things that could be done to meet the concerns of the Europeans?

Mr. Cooper: Monetary policy, now the object of animus for Europeans, is not really determined by the administration, but by the Federal Reserve Bank, responsible to the Congress. It's true, though, that some members of the Reagan administration are egging it on.

As to what advice I would

Statistical sketchbook of the big 7

	Britain	Canada	France	Italy	Japan	United States	West Germany
Annual inflation rates (in percent)	1978 9.1	1978 6.8	1978 7.6	1978 12.3	1978 6.0	1978 3.0	1978 3.0
1979 10.2	1979 7.4	1979 10.8	1979 15.8	1979 8.2	1979 3.2	1979 3.2	
1980 10.0	1980 7.3	1980 12.8	1980 21.2	1980 8.5	1980 3.5	1980 3.5	
Annual unemployment rates (in percent)	1978 5.9	1978 5.5	1978 6.1	1978 7.1	1978 2.5	1978 6.0	1978 3.3
1979 6.1	1979 5.9	1979 6.8	1979 7.8	1979 2.8	1979 6.5	1979 3.3	
1980 6.2	1980 5.8	1980 7.8	1980 8.8	1980 3.0	1980 7.0	1980 3.2	
Growth of real Gross National Product (percent change from previous year)	1978 2.80	1978 3.50	1978 3.90	1978 2.80	1978 6.00	1978 4.00	1978 3.00
1979 1.70	1979 2.80	1979 3.20	1979 5.00	1979 5.00	1979 2.20	1979 4.00	
1980 2.20	1980 2.20	1980 2.80	1980 3.50	1980 5.50	1980 1.00	1980 2.80	
Balance of payments (in billions of dollars, seasonally adjusted)	1978 1.20	1978 4.40	1978 3.70	1978 14.20	1978 16.50	1978 44.30	1978 5.70
1979 2.50	1979 4.90	1979 1.20	1979 11.10	1979 12.80	1979 38.00	1979 9.00	
1980 4.60	1980 3.80	1980 7.70	1980 6.20	1980 12.20	1980 54.00	1980 10.00	
Oil imports (in millions of tons)	1978 41.7	1978 12.3	1978 106.6	1978 74.2	1978 285.7	1978 402.0	1978 160.6
1979 19.5	1979 8.2	1979 128.0	1979 98.3	1979 286.0	1979 411.6	1979 143.6	
1980 2.3**	1980 3.0	1980 120.0	1980 98.1	1980 243.9	1980 271.2	1980 127.0	

*preliminary ** excess domestic production Source: O.E.C.D., International Energy Agency, French Ministry of Energy

give, my own view is that the all-but-exclusive focus on monetary magnitudes is nonsense and potentially extremely damaging. We simply do not have at hand either the theory or the empirical information, Milton Friedman notwithstanding, that permits us, in good intellectual conscience, to give monetary magnitudes that focus. The consequences of this simple-minded theory are real interest rates which will discourage investment, throttle growth and therefore run counter to the administration's stated objectives.

Mr. Rashish: Any policy carries certain risks in the short term. What's important about

the Reagan recovery program is that it is a three-line policy rather than a stop-and-go policy. That is to say, it's for the long term. It aims at certain structural changes in the American economy.

It has other ingredients — a fiscal component and deregulation, designed to release the in-

novative capacities of American industry.

Mr. Silk: Pierre Trudeau, the Canadian prime minister, was just in Europe lobbying for more aid to the Third World. Robert McNamara, as one of his last acts as head of the World Bank, was very critical of Congress for not voting funds. How important is the Third World to the West?

Mr. Rashish: It's unfair to say the administration has a hostile policy toward the Third World or no policy. For security reasons and just plain humanitarian reasons, concern for what is called the Third World is one of the four pillars of American foreign policy.

The president's budget request for fiscal '82 showed an 18-percent increase in the request for foreign aid. The president has also made a clear commitment to support the multilateral development banks and that includes funding for the International Development Association, the World Bank affiliate which lends to the poorest countries. So far, that is proceeding well in the Congress, but it's a little like the perils of Pauline. The train has come down the track several times but the fair maiden has been rescued every time and we hope she will survive.

Mr. Silk: The Japanese would regard the United States as a model of liberal trade principles following the auto import quota decision. Was that an exception?

Mr. Rashish: I absolutely regard it as an exception to the major thrust of policy, a very painful one at that. The Reagan administration, in the main line of policies pursued by every administration since the end of World War II, has a very strong commitment to liberal trade. Last week, President Reagan decided not to renew a four-year-old import quota on Korean and Taiwanese shoes.

Mr. Silk: Yet the Reagan administration policy is importing more oil and burning more oil.

Mr. Cooper: The Reagan administration is against reducing imports but that it has focused on one way to do it. That is to stimulate supply in the United States, which is laudatory but not enough. I find it appalling that the administration has abandoned so many other aspects of energy policy — conservation guidelines, research and development expenditure on almost anything but the broader reactor, big cutbacks for the syn-fuels.

Mr. Rashish: As our dear friend, the professor of economics knows, prices tend to operate on both sides of the ledger — both on quantity supplied and quantity demanded. The Reagan policy tends to induce supply, conserve demand and induce substitution and conservation in terms of technological change.

Mr. Silk: On another trade and security issue, the administration seems to be moving against U.S.-Soviet trade, with the exception of the grain sales. Western Europe is increasingly involved in East-West trade. Is that a fit topic for summitry and would the United States press its allies to reduce trade with the Soviet Union?

Mr. Rashish: I don't accept your characterization of the Reagan administration policy as aimed at reducing trade with the Soviet Union — it's just not so. I do accept that it is a fit subject for summitry. So fit that the United States proposed it to be put on the agenda for the Ottawa summit, and it was put on the agenda in mid-February at the first meeting of the summit preparers, the sherpas. We started with the proposition that the issue is not simply whether we should increase or reduce trade with the Soviet Union. We recognized that we ought to have

economic relations with the East that are parallel to our general foreign policy and that we cannot conduct a rational policy except on an all-in basis. Given those two premises, we tried to discriminate among cases.

Mr. Silk: The undersecretary of the Treasury for monetary affairs, Beryl Sprinkel, has called for a policy that would be even freer floating with less support for currency values. Is that the administration's position?

Mr. Rashish: The larger question is whether the policy we've had for a relatively short interval for active intervention in foreign exchanges has in fact affected in any substantial degree the path of exchange rates.

There's a knee perception that regular intervention by the central banks in a handful of countries is not likely to have much impact on the course of exchange rates. The policy enunciated by Beryl Sprinkel was not 100 percent laissez-faire. It said there were exceptional circumstances in which intervention would be appropriate, but as a general rule it was ineffective and unnecessary.

Mr. Silk: Was that a symmetrical policy statement, that we would not intervene when the dollar was strengthening or when it was falling?

Mr. Rashish: I assume the policy is one for all seasons.

Will you give me a good question. Is this summit going to be different from the last? Do you expect any concrete results to emerge?

Mr. Silk: All right, I ask that.

Mr. Rashish: The answer is that, consciously, this summit is going to be different. While the last few summits tended to produce agreement on specific understandings — this summit will not.

It's much more valuable to use the limited time available — it's only a day and three quarters — to have a full discussion of major topics.

Vanuatu Moving Forward in Its Bid for a UN Seat

By Bernard D. Nossiter
New York Times Service
UNITED NATIONS, N.Y. — Vanuatu, a chain of 70-odd South Pacific islands, 150,000 acres of coconut palms and only 120,000 people, has taken its first step toward becoming the 155th member of the United Nations.

The Security Council approved its application last week. The Vanuatu government of Prime Minister Walter Lini, an Anglican priest, hopes that UN membership will heal the deep cultural division caused by 74 years of British and French rule.

Until Vanuatu gained independence last July, Paris and London ruled the archipelago, formerly the New Hebrides. The British-French condominium set up two of everything on the islands: school systems, police forces, courts, languages, currencies and more.

Barak Sope, the secretary of Vanuatu's Foreign Ministry and one of only 20 islanders with a college degree, has been in New York to shepherd his new nation's appli-

cation through the Security Council. In an interview, he said: "We've had problems with this condominium legacy. Now nation-building is our first, primary aim."

The joint but separate rule, he said, created an "artificial division" among his people. "France and Britain each tried to inculcate their culture, like a religion. This created a problem of communication between people, between those who went to French and those who went to British schools ..."

UN membership, he said, would help unify his people. It would also reduce their sense of isolation — the chain lies 1,200 miles (1,920 kilometers) northeast of Brisbane, Australia — and "give us contact with big powers as well as the Third World."

Also, membership will speed up the flow of UN aid to the islands. "Once we become a member, things will move faster, like economic aid," Mr. Sope said. Vanuatu is scheduled to take its seat in the General Assembly on Sept. 15,

when that body approves the Security Council's recommendation for membership.

The islanders do not want steel mills, big airports or heavy industry. They have received \$735,400

so far this year from the UN Development Program, largely for technical aid to improve and diversify their agriculture. Copra, or dried coconut meat, is the biggest export. Vanuatu wants help to replant 70-year-old palms, build a palm oil industry, modernize tuna fishing, replant denuded forests and strengthen cattle raising.

Marchers Back Nyerere Policies

DAR ES SALAAM, Tanzania — Thousands of persons marched through the streets here Sunday in the latest public demonstration of commitment to Tanzania's Socialist policies and to denounce interference by the International Monetary Fund in the nation's economy.

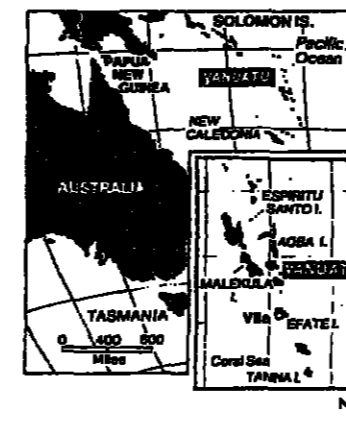
Tanzania, which is facing its most difficult economic period, has in recent years become increasingly dependent on foreign aid. It is at loggerheads with the IMF which, in return for a substantial loan, is demanding that Tanzania make a series of economic reforms, including a 50 percent devaluation of its currency.

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UN Cambodia Conference Begins Today; Aim Is to Oust Vietnam-Backed Regime

By Bernard D. Nossiter
New York Times Service
UNITED NATIONS, N.Y. — Led by Secretary of State Alexander M. Haig Jr., the United States was to meet at the United Nations on Monday with China and 73 other nations in an effort to force the removal of the Vietnamese-installed regime in Cambodia.

The conference was called last week by the General Assembly to negotiate a withdrawal of Vietnam's troops and a process for holding free elections supervised by the United Nations. But there will not be any negotiations because Vietnam and its ally, the Soviet Union, are boycotting the meeting.

As a result, a skeptical Asian diplomat has called this a "conference that claps with one hand."

Chief Sponsors

The chief sponsors of the conference, the five member countries of the Association of Southeast Asian Nations, have rejected that view. The organization, which consists of Singapore, Malaysia, Indonesia, the Philippines and Thailand, believes that the gathering will have useful political and public relations effects.

One Southeast Asian envoy said that Hanoi's failure to attend would "demonstrate that Vietnam

intervened in Cambodia not because of threats to its security but in order to impose its hegemony over a neighbor." The diplomat said the meeting would turn world attention once again to the United Cambodia problem and "take it off the back burner to put it on the front burner."

Interest on Haig

Much interest will be directed toward Mr. Haig, who on Monday will be making his first appearance at the United Nations.

The deposed Cambodian regime of Pol Pot and its chief supplier of arms, China, oppose extending an invitation to Heng Samrin, who, backed by Vietnamese guns, replaced Pol Pot in 1979. More important, China and the Pol Pot forces oppose two points in a declaration that the conference is expected to adopt.

Among other things, the declaration will call for disarming all Cambodian factions and for setting up an interim government while the United Nations supervises elections. However, the Pol Pot forces, with China's support, want to enter Phnom Penh with

their arms before elections are held.

A draft of the declaration also offers Vietnam aid to rebuild and develop, as an inducement to pull out its troops.

Committee of Nations

Apart from the declaration, the conference is expected to set up a small committee of nations that would continue to sound out Hanoi on the possibilities of negotiating a settlement.

The turnout for the conference is a subject of dispute. The Southeast Asian countries assert that as of Friday, 75 nations were to appear at the conference, an excellent showing, particularly in light of Secretary-General Kurt Waldheim's "diffident" invitation. He never directly invited any country, but merely asked whether a nation regarded itself as "concerned." Forty-four countries had not replied.

The Southeast Asian group is especially concerned by the appearance of such important nations professing nonalignment as Yugoslavia, Senegal and Nigeria. The fact that 16 foreign ministers are attending is also regarded as a sign of strength.

But the Soviet side notes that the total falls short of the 97 that voted to hold the conference last winter. Moreover, six of the countries are coming as observers. Among the 25 declining is India, as well as nations that invariably vote with Moscow.

China Comments

PEKING (NYT) — China has asserted that Vietnam's refusal to attend the UN conference on Cambodia supported the view that Hanoi's 200,000 troops there must be driven out by force. "Stability can be attained only by fighting for it," a commentary distributed Saturday by the Chinese news agency said.

India Is Said to Kill 5 Pakistani Soldiers

NEW DELHI — Indian troops killed five Pakistani soldiers during an exchange of fire across the border in northwest India, the Press Trust of India news agency reported Sunday.

The agency said the exchange took place Saturday after Pakistani soldiers fired without provocation. It also quoted unidentified military analysts as saying that Pakistan had deployed 350,000 troops along its border with India.

SENIOR EXECUTIVE POSITIONS

Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Juanita Caspari in Paris.

POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Source
INTERNAL AUDITORS	US\$22,075 or 26,570 tax free.	Food & Agriculture Org. of United Nations.	Rome	Membership of internally recognized org.; exp. in food ag.; in tax admin.; 3-5 yrs. progress exp. auditing; Eng., Fr. or Spn.	Ref. Via 175-880-887, FBI, Central Bureau, Box 300, Via della Torre di Caracalla, 00186 Roma.	I.H.T. 7-7-81
INTERNATIONAL INVESTMENT PROFESSIONAL		Capital Int'l S.A. & Capital Research Co. S.A.	Geneva (Swiss or parnat.)	Exp. in min. one of following fields: int'l portfolio mgmt.; investment research; research &/or portfolio mgmt.; Eng., Fr., Ger. or Jap.	Ref. 05325, R.A. Pothol, 850, St. Georges St., 1201 W. Grandfield Ave., Englewood, Colorado 80110, USA.	I.H.T. 4-7-81
MARKETING MANAGER		U.S. Co.	Zurich (Swiss or parnat.)	Strong exp. in communication skills; organizing mgmt.; a working exp. with Ger. distrib. or sales org.; Eng., Ger., +.	Int'l Dept., Wilburson Corp., 1201 W. Grandfield Ave., Englewood, Colorado 80110, USA.	I.H.T. 4-7-81
PR/ADVERTISING MANAGER		Cascom Systems Int'l (Software Co.)	U.S. Co.	Highly skilled writer & exhibit person creative skills; Eng., Fr., Ger.; min. 8 yrs. exp.	The Communications Group, 37, Chaussee de Charleroi 8-1900 Brussels.	I.H.T. 4-7-81
DIRECTOR OF TRAINING	D.F. 6,950 to 9,385 monthly.	European Institute of Public Administration.	Maastricht, Holland	High. deg. (Ph. D.); Fr.; Eng.; capability of functioning as member of int'l mgmt. team; extensive exp. in training & adv.	The General Director of the European Institute of Public Administration, 6211 PB Maastricht (Ph. or IX/198).	I.H.T. 4-7-81
DIRECTOR OF SYSTEMS ENGINEERING	Highly attractive.	IBM Plug Compatible System Manufacturer.	London	Highly exp. nature training with in depth exp. & training in IBM systems & customer support exp.	Int. Euro/INT 781, The Director, International Plug Compatible System, 99-101 St. Lawrence Road, Woking, Berkshire RG4 3BZ.	I.H.T. 4-7-81
PRODUCT MANAGER		International Metals Corp.	North Carolina	Engineering + Packman; fluent in English, Spanish; English + Fr. + Ger. + other Spanish.	International Metals Corp., P.O. Box 22826/8525 Morrisville Blvd/Suite 301, Charlotte, North Carolina, 28211, U.S.A.	Frankfurt 4-7-81
CONSULTANTS for int'l dvlp. projects.	c.£28,000	PA Int'l.	Africa, Mid. East & Asia	Int'l exp. in development projects.	Mr. Andrew L. Robinson, PA International, 339 High St., Slough SL1 1TL.	Economist 4-7-81
GEOLOGISTS ENGINEERS METALLURGISTS	Competitive	CSR Ltd.	Australia & South East Asia	High. qual. in appropriate disciplines & between 2-6 yrs. practical exp. since graduation.	Pricewaterhouse Associates Pty. Ltd., 191 Bond Street, Sydney NSW 2000, Australia.	I.H.T. 7-7-81
VICE PRESIDENT Lending Control	Sfr. 85 to 110,000	Export Finance Co.	Central Swiss	Min. 10 yrs. exp. credit analysis & control with int'l banks/finance co.; Eng. +; Swiss citizens only.	Box D 1720, International Herald Tribune, 92521 Neuilly Cedex, France.	I.H.T. 7-7-81
INTERNATIONAL MANAGEMENT OPPORTUNITIES	US\$800-125,000	OGT (Holding Co.)	Lagos & London	• Group Managing Director, • Group Technical Manager, • Group Financial Controller, • Managing Director (London).	File # 00184, Daniel Anselmi, Wanda Garcia, 37 Connaught Square, London W2.	I.H.T. 7-7-81
INTERNATIONAL MANAGEMENT OPPORTUNITIES	US\$600-125,000	OGT (Holding Co.)	Nigeria	• Group Commercial Manager, • Group Technical Manager, • Strategy Development Mgr., • Group Shipping Mgr.	File # 00184, Daniel Anselmi, Wanda Garcia, 37 Connaught Square, London W2.	I.H.T. 7-7-81
RESPONSIBLE MARKETING & SALES		Comes Services.	Marseille, France	Min. 30 yrs. exp. in position (see description) + exp. in Fr., Eng., + Exp.; stable exp. int'l business relations.	Ref. 00 323, 39F Rousseau-Boulevard, 48 Rue de la Paix, 13001 Marseille.	I.H.T. 7-7-81
ASSET MANAGEMENT Middle East	Attractive	Major int'l bank.	Middle East	Proven banking exp. prof. in multi-currency asset mgmt.; Eng. + Arabic.	Brian Jones, St. James's Mount, 417 and Lime Court, Fleet St., London EC4A 3EF.	I.H.T. 7-7-81
SALES & MARKETING MANAGER	Excellent	IBM division of leading American manufacturer.	Western Europe	Professional; Eng., Ger.; skills in direct sales incl. contracts negotiation; tech. exp.; transport field exp.	Box D 1781, International Herald Tribune, 92521 Neuilly Cedex, France.	I.H.T. 7-7-81
INTERNATIONAL LENDING OFFICER		Int'l Bank.	Paris	20-25 yrs. grad. exp. in bank; exp. in multi-currency asset mgmt. with Greek bank; world travel exp. + Fr.	Box D 1782, International Herald Tribune, 92521 Neuilly Cedex, FRANCE.	I.H.T. 7-7-81
TOP MANAGEMENT CONSULTANT		Bentz, Allen & Hamilton Inc.	Düsseldorf (Europe)	20-30; international & production experience; English, German, French, Dutch, Spanish, Italian, Swedish, Danish, Norwegian, Danish, English.	Bentz, Allen & Hamilton Inc., 2 B.A. Berna A. Berna, Koenigsplatz 98a, 4 Dusseldorf, Tel.: 0211/31084, W. Germany.	Frankfurt 4-7-81

U.S., 3 Other Nations Seek to Develop Economic Plan With Caribbean Region

By Michael Getler
Washington Post Service
NASSAU, Bahamas — The foreign ministers of Canada, Mexico, the United States and Venezuela have agreed to begin immediate consultations with governments throughout Central America and the Caribbean as the first step in a plan to cope with the severe economic problems that underlie spreading social and political turbulence in that region.

William E. Brock, the special U.S. trade representative who was part of the U.S. delegation here, told reporters Saturday that the consultations would probably start within a month.

They also were to be held with other prosperous countries outside the region, and with international financial institutions to draw them into an even broader coordinated economic assistance effort.

A joint communique issued at the close of a five-hour meeting and luncheon said that, although many countries inside and out of the region are providing economic help, the four big donors agreed that "more comprehensive efforts" are needed based on "a consultative process" in which both donors and recipients come to a realistic understanding of what is needed and what is financially possible.

and provides aid to Cuba and other leftist governments in the region. The Mexicans believe that the Reagan administration has made too much of the Cuban and Soviet threat to the area.

U.S. Secretary of State Alexander M. Haig Jr. was asked if Cuba could receive aid under the new initiative. Mr. Haig, who headed the U.S. delegation here, did not answer directly. Rather, he explained that while there is no automatic exclusion of any country from aid, there is also no automatic obligation of a donor to include a certain country.

Each country would make a decision on its own, Mr. Haig said, an arrangement that allows the United States and Mexico to continue their separate approaches to Cuba while hopefully coordinating other efforts.

Mr. Haig and the other ministers emphasized that the plan was still in the exploratory stage, as was only an agreement in principle at

this point, and that no specific projects could be detailed until discussions with potential recipients are completed.

Despite the absence of hard new monetary commitments and considerable skepticism among many critics, Canadian External Affairs Minister Mark MacGuigan said that he had no trouble endorsing what has been done thus far as a "positive step forward." Mr. Haig also cautioned against too much cynicism, saying that the fact of the meeting — the first of its kind at a "high political level" — was in itself a good sign.

Although development plans for the Caribbean basin have been tried before without much success, the start on this one represents at least a preliminary political victory for the Reagan administration, which called for the meeting.

The new administration wants to show that it understands that economic and social factors underlie much of the political unrest.

Greece Avoids Yugoslav-Albanian Rift

ATHENS — The Greek government is rebuffing attempts by neighboring Yugoslavia and Albania to embroil it in their dispute over the Albanian minority in Yugoslavia's autonomous province of Kosovo.

The Greeks, refusing to take sides, are warning the two Communist-ruled countries that their dispute could open the way to Soviet intervention in the area.

"Greece doesn't want involvement in this dispute," Foreign Minister Constantine Mitsotakis said. "We don't want Albania and Yugoslavia to get us involved in their differences and neither do we want third parties to interfere in the area."

Yugoslavia's contention that Albania was fomenting trouble in Kosovo, the scene of wide national disorders a few months ago, but the deeper Greek fear is that any extension of the dispute would awaken passions among the many minorities in Yugoslavia.

The Greeks do not hide their awareness that Yugoslavia is trying to draw them into the dispute by depicting Albania as a common threat with expansionist ambitions. But the isolationist rulers of Albania, while trying to ally Greek suspicions, made matters worse through a blunder that turned Greek public sentiment against them.

The controversy began in May when Yugoslavia made public an Albanian-origin map indicating that Tirana had claims to a "Greater Albania," involving territories running deep into Yugoslavia and Greece.

Greek intelligence determined that the map was produced in 1971 by exiled Albanians in the West.

Ghana Strife Rooted In Old Tribal Enmity

By Paris Waldmeir

WULENSI, Ghana — A bar-room brawl was the spark for the explosion of tribal fighting in northeastern Ghana last month in which hundreds of people died and an estimated 20,000 were made homeless.

Witnesses in this village 175 miles (280 kilometers) north of Accra said that warriors of the Konkomba tribe stormed in just after dawn on June 21, killing more than 500 members of the rival Nanton tribe with guns, arrows and cutlasses, and burning down their homes.

Sanitation workers said they had buried 520 bodies of men, women and children. Police and troops who moved in to put down the fighting said that a further 200 to 300 people might have died in neighboring villages.

In Accra, four members of Parliament who visited the area told the house that 1,500 people may have been killed and several hundred may have been injured. The legislators said they had counted 27 villages destroyed.

Their report said that Konkomba had from times the border in Togo may have participated in the fighting, and it urged surveillance of the frontier. It also called for an increase in military and police presence in the area.

The Nantons are refusing to work their farms or travel without army protection. This situation could lead to famine next year because the planting of yams, the staple root crop of Ghana, has been disrupted.

The government has declared the region a disaster area, set up a national committee to coordinate relief work and banned the carrying of arms. The Ghana news agency said President Hilla Limann scheduled a visit to the area to try to restore calm.

The trouble started in late April, according to the agency, with a brawl in a beer bar between two men, a Nantona and a Konkomba, in the Nantona district capital, Bimbila. Some reports said the

fight, which involved the son of the local Nantona chief, was over a woman.

The fight brought a simmering intratribal rivalry to a boil. In recent years, educated Konkomba have claimed that the rights of their seminomadic tribe are infringed by the Nantons, who claim a right to appoint chiefs to Konkomba villages and to extract tribute in the form of unpaid labor and food.

Griefs Over Traditions

The Nantons allege that their customs and traditions have been violated by Konkomba who have settled in their areas.

The fighting that began in Bimbila spread rapidly through the area, culminating in the Wulensi killings.

More than two weeks after the attack on Wulensi, the stench of death still hung over the village. Heavy rains had undone the work of the gravediggers. The head and shoulders of a decomposing body protruded from a shallow grave in the main street.

The village was almost deserted, the Nantons who had survived the attack having fled into the bush. A few refugees had returned under military escort to salvage what they could from the ruins of their huts while some Konkomba women searched for anything of value left by the fleeing villagers.

At the tiny police station a chicken picked its way among the blood-soaked clothing of the 100 or so people who died after seeking refuge within its walls. Witnesses said that the Konkomba agreed to respect the sanctuary of the police station until one of those who had fled there opened fire on them.

Police who were there at the time said that there had been only 10 officers in Wulensi when it was attacked.

No Ammunition

They said that transport and communications problems, serious throughout Ghana, had made it difficult to control the fighting. Army reinforcements requested the evening before the attack had taken 36 hours to arrive from Tamale, 100 miles away, they said, while paramilitary police who drove up in an armored car at the height of the fighting had no ammunition.

The army did protect Bimbila from attack by surrounding tribesmen.

Although no fighting has been reported since June 23 and the tribes are observing a truce monitored by the army, civil servants who fled Bimbila have not returned.

The town's streets teem with refugees, and food is running critically low. Relief workers are notable by their absence. One doctor using a Health Ministry van arrived 10 days after the fighting stopped.

Officials in California Fear Use of Pesticide

The Associated Press

SAN JOSE, Calif. — Some officials in an area stricken by Mediterranean fruit flies have urged residents to leave, as officials prepared to battle the bugs with aerial spraying of a controversial pesticide.

Barring the issuance of a court injunction sought by officials in Northern California, helicopters are to begin aerial spraying of malathion early Tuesday. The spraying program was ordered by Gov. Edmund G. Brown Jr. after the U.S. Department of Agriculture threatened a quarantine on California produce.

The 97-square-mile area of the infestation will be sprayed with malathion at least six times, with the applications coming seven to 10 days apart, officials said.

The first application is expected to take a week and the rest two to three days each, officials said. The first "target area" is a 15-square mile section near Stanford University.

However, U.S. Agriculture Secretary John R. Block warned that spraying might not be enough to halt the pest, and said he still might have to impose a quarantine on 200 fruits and vegetables grown in California. That could mean short supplies and high prices nationwide. The crops were valued at \$4.1 billion last year.

State agriculture officials, while insisting that the chemical posed no health threat, urged residents to stay inside, cover their cars and bring children's toys inside during the 2 a.m. to 6 a.m. spraying.

Some local officials urged residents to flee rather than face the possible danger of malathion.

"I don't know where I'll go but I intend to leave," said Zoe Lofgren, the Santa Clara County supervisor. A Sunnyvale city councilman, Larry Stone, predicted that "an exodus will create incredible security problems; the area will be open to every residential burglar if people leave, and many will."

Meanwhile, tens of thousands of residents in a 620-square mile area around Mountain View already under quarantine worked to strip the trees in their yards as pesticides were sprayed from the ground. Those who have not stripped their trees by Monday will be subject to citations carrying possible six-month jail terms and \$500 fines.



A woman carrying a baby joined other protesters outside the state Capitol in Sacramento to express opposition to plans to spray trees in their neighborhoods with a pesticide.

Brain Chemical Level Tied to Suicide Risk

By Lois Timnick
Los Angeles Times Service

LOS ANGELES — Can the likelihood of a person's committing suicide be predicted — and prevented?

Yes, say researchers at the National Institute of Mental Health in Bethesda, Md., and the Karolinska Institute in Stockholm.

They believe they have found a "suicide factor" in human spinal fluid that can be measured by a simple laboratory test.

Often patients who have been severely depressed or who have made an unsuccessful suicide attempt are misjudged "not suicidal" and sent home, only to take their lives within months.

The new test can separate the truly suicidal from the depressed or otherwise disturbed patient, the researchers say. It can help doctors decide which patients need longer hospital stays, with more intensive treatment, as well as which patients should receive new drugs that appear to alter levels of this suicide factor, a well-known brain chemical.

And it is shedding light on why men kill themselves more often than women and why not all suicidal people are depressed and not all severely depressed persons are suicidal.

Brain Chemical

The test indirectly measures a brain chemical called serotonin, one of numerous "chemical messengers" that transmit impulses from one nerve cell to the next. Although serotonin itself is fleeting, it leaves behind a sort of fingerprint or marker — its metabolite or end product, a chemical called 5-HIAA. It is this 5-HIAA that can be detected in cerebrospinal fluid taken by lumbar puncture (a spinal tap) a few inches below the end of the spinal cord.

The chemical does not fluctuate from day to day, according to

mood or illness, but appears to be a stable measure of personality traits, which are probably largely inherited. The chemical is generally present in lower levels in men than in women.

The relationship between low 5-HIAA and a high suicide risk is "the most powerful association I'm aware of between a biological marker and a behavior," said Dr. Frederick K. Goodwin, chief of the National Institute of Mental Health's clinical psychobiology branch of research.

Dr. Goodwin and Dr. Gerald L. Brown of the NIMH and Dr. Marie Asberg of the Karolinska Institute — together and separately — have conducted studies during the last five years that clearly establish the link.

Swedish Studies

The NIMH team had been intrigued by an earlier study in which they found a connection between impulsive, aggressive behavior in a group of Navy enlisted men and levels of certain brain chemicals. Aggression and low 5-HIAA (and thus low serotonin) seemed to go hand in hand in these men. But the researchers also noticed, almost accidentally, that 82 percent of the men in the low 5-HIAA group had attempted suicide — nine times the number who did so in the group with high levels.

Meanwhile in Sweden, Dr. Asberg, who had first reported the association between low serotonin and suicide, demonstrated not only that serotonin's end product, 5-HIAA, was lower in those who attempted suicide than in others, but was especially likely to be low in those who chose violent methods and also in those who were successful in suicide.

Men tend to choose more violent and effective means of suicide, such as shooting, hanging or drowning, while women resort to pills or mild wrist-slashing and are more likely to be unsuccessful.

The strongest and most recent evidence comes from Swedish studies that followed up a group of suicide attempters. Dr. Goodwin said. The NIMH is cooperating in the studies.

After a year, only 2 percent of the patients admitted to a hospital intensive care ward after a suicide attempt had succeeded in killing themselves. But 22 percent of another group of patients, who had been seen in a psychiatric unit and found to have low 5-HIAA, had killed themselves.

Dr. Goodwin said that clinical trials are under way with a new anti-depressant drug called zimelidine that slows the normal destruction of serotonin in the nerve cell. Other approaches center on substances that increase the production of serotonin. Depressed patients with low 5-HIAA often fail to improve on conventional anti-depressants.

U.S. Withheld Report on Benefits of Legal Abortion

By Victor Cohn
Washington Post Service

WASHINGTON — Legalized abortions have reduced abortion-related disease and death among American women and have reduced the incidence of teen-age pregnancies and out-of-wedlock births significantly, according to a never-delivered statement from a federal Center for Disease Control official.

The 11-page statement, prepared by Dr. Willard Cates Jr., chief of abortion surveillance at the center in Atlanta, was to have been given as testimony May 20 before a Senate Judiciary subcommittee.

But his superiors, including Richard S. Schweiker, the Health and Human Services secretary, declined to replace Dr. Cates at the hearing with another center official, Dr. Carl W. Tyler, who presented a three-page report omitting most of the favorable effects of legalized abortion described by Dr. Cates.

Mr. Schweiker is an opponent of abortion and a longtime advocate of a constitutional amendment to prohibit the procedure, as are his two top health officials, Dr. Edward Brandt, the assistant secretary, and Dr. C. Everett Koop, the deputy assistant secretary.

Koop also is Mr. Schweiker's choice for surgeon general, a position that would put him in charge of programs administered by the center.

Decline in Illness

Dr. Cates' statement would have been given to the subcommittee, which, in an anti-abortion vote Thursday, said human life starts at conception. In the statement, Dr. Cates said that legal abortions have produced a dramatic decline in abortion-related illnesses and have created new means of "convenient, low-cost delivery of outpatient health services" to women.

He also quoted data showing:

- In 1965, when abortions were illegal everywhere in the United States, there were 235 abortion-related deaths nationally, 20 percent of all pregnancy-related deaths, and "it was not unusual for half of

all beds in the gynecologic units of large public hospitals to be occupied by women suffering complications" of illegal abortions. In 1976, three years after the Supreme Court decision legalizing abortion, there were two abortion-related deaths.

• Advances in surgical methods have made abortion safer than childbirth. "The risk of dying from induced abortion during the first 15 weeks [of pregnancy] is one-seventh the risk of dying from pregnancy and childbirth."

• Legal abortion has helped produce significant declines in teen-agers' "high-risk marriages" that often produce unwanted children and has been associated with a decline in out-of-wedlock births in some states. The highest teenage child-bearing rates occur in states with the lowest abortion rates, the statement said.

• The availability of amniocentesis — examination of the fetus during pregnancy — and abortion if the fetus is deformed apparently has led to 10 percent more child-bearing, rather than less child-bearing.

U.K. Consulate Bombed

TRIESTE, Italy — An incendiary bomb exploded on the roof of the British consulate in Trieste on Saturday, police said. There were no injuries and only minor damage.

bearing, in families with genetic risks. The indication is that genetic risks have less fear of becoming pregnant because of these procedures.

Favorable Impact Seen

Dr. Cates' statement concluded that legal abortions have had an important and largely favorable public health impact and that making abortions illegal would result in "a predictable increase in illness and disease of American women."

The decision to replace Dr. Cates with Dr. Tyler was made in "the office of the secretary," some Health and Human Services sources said late last week.

Dr. William Foegle, the center director, acknowledged that he talked to "quite a few people," including the secretary and people in his office, "and he either approved or concurred." But Dr. Foegle said that the change in officials "was my recommendation and not something someone else asked me to do."

Some sources said that top center officials feared that Dr. Cates' testimony before anti-abortion senators might have an adverse effect on the Center for Disease Control or its data-gathering, but Dr. Foegle maintained that the recommendation had nothing to do with any such fears or with any center policy.

French Confirm Case Of Legion's Disease

PARIS — French medical authorities say they have identified one confirmed and at least three suspected cases of the pulmonary infection known as Legionnaires' disease.

The medical authorities said Saturday that the afflicted patient was being treated at Bichat Hospital in northern Paris. No details on the patient's identity or condition were given. The disease first came to medical attention in 1976 when it caused the deaths of 29 persons who had attended an American Legion meeting in Philadelphia.

Alcohol Poison Toll Rises to 325 in India

NEW DELHI — The death toll in one of the world's worst illicit liquor poisoning disasters has risen to 325 with the deaths of two more persons in India's southern state of Karnataka.

The Press Trust of India said Saturday that one person died in the state capital of Bangalore and another in the town of Mysore. Scores of people are still being treated in hospitals.

Cuba Captures Alleged Plotters

HAVANA — Cuban security forces have captured five Cuban exiles involved in a plot to assassinate President Fidel Castro, according to the official Communist Party daily Granma.

The paper said in its Saturday edition that the five left the United States in a launch, crossed the Straits of Florida and landed in Matanzas province, to the east of Havana, on July 5. It did not say when the men were captured.

Granma said that Cuban security forces seized weapons, explosives and propaganda material brought to Cuba by the men, who were expected to join with others in an attempt to kill Mr. Castro on July 26, when he is scheduled to deliver a speech.

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Everyone at Wimbledon now uses a Rolex.

nicknamed, was "in."

Thus, those first Wimbledon Championships were a natural reaction to a fast-growing game that was virtually unheard of ten years before.

Yet that first pioneer committee did far, far more than simply set up a tennis tournament.

For the first time, the size and shape of the court; the position of the service lines together with the height of the net were set down in writing. Except for minor adjustments over the next three years, these dimensions remain the same today.

But many would say that the committee's greatest achievement was the new scoring system. (Previously the racquets method of scoring was used.)

This system brought periods of heightened tension and points of high drama to the game. And no-one has ever improved on it.

In modern times, The All England Club did much to bring about open tennis in the late sixties.

For some time both The All England Club committee and the Lawn

THE NEW GAME

LAWN TENNIS

A word game of Lawn Tennis from the 1870s.

Major Wingfield, the "inventor" of Lawn Tennis.

Spencer Gore, the first men's singles champion of 1877.

Helen Wills (Moody), eight times ladies' singles champion in the 20s and '30s.

The Australian master, Rod Laver.

Tennis Association had wanted to bring an end to the increasingly hypocritical sham of the "amateur." A distinction which meant that some of the world's greatest players who had declared themselves professional could not, under existing International Lawn Tennis Federation rules, compete at Wimbledon. Finally, the I.L.T.F. yielded to British pressure and Wimbledon became truly open once more in 1968.

Superficially, Wimbledon today looks much as it must have done in the twenties (when the tournament, having outgrown its original venue, moved to its present site in Church Road).

The cavernous arenas of Centre and Number One Courts. The perfectly manicured grass. The strawberries and cream. Yet while Wimbledon has always been very conscious of its traditions, it has always reacted quickly and progressively to the ever-evolving needs of the game, the players and spectators.

And times have changed at Wimbledon.

The Rolex Watch Company of Geneva have been asked to replace and update the entire Wimbledon time-keeping system. Throughout the grounds, 22 clocks have been replaced. On court, digital clocks inform

spectators of both the time and the duration of the match. The entire system is controlled to an extreme degree of accuracy by radio signals transmitted from Geneva.

But not only spectators rely on Rolex for perfect timing. Many of the world's top players choose a Rolex Oyster as their personal timepiece.

Its tough, rugged construction (it takes 162 separate operations to carve an Oyster case from a single block of metal) provides more than adequate protection for its precision movement against the power and controlled violence of the modern game.

One thing about Wimbledon, however, will never change. The winner on the day will be the player with the determination, strength, and immaculate timing.

ROLEX
of Geneva

Perfect timing on the Centre Court.

The Rolex Oyster Chronometer. In 180 gold, steel and gold combination or stainless steel, with matching bracelet.

Atlantic Common Sense

Now the despairing cry for a U.S. Soviet policy can be heard even inside the Reagan administration. The president's own officials complain that they cannot drive the anti-Communist bus if friendly passengers aren't told its destination.

Not just the fainthearted, in other words, want a plan for arms negotiations and a concept of coexistence. But Reagan still resists. "Basically," he said the other day, "good foreign policy is the use of good common sense in dealing with friends and potential adversaries. We know where we're going and think it might be counterproductive to make a speech about it."

Translation: I don't need speeches to prove I understand diplomacy. I'm building up America's economy and military, and shopping for partners all around the Soviet Union. Let the Russians sweat. When we finally begin discussing arms control and trade, I'll know what I want and be in a stronger position to get it.

Yet the very next day a senior State Department official offered the obvious demerol: We know where we're going, but the allies do not, or at least cannot persuade their people that we do. So "we have a problem of some proportions" and need to be "more articulate" in explaining our course toward the Soviet Union.

Translation: Europeans are frightened by a president whose words and preoccupation with weapons point only toward East-West confrontations. They, too, have priorities, which make them resist pressure for military buildups and nuclear weapons from an America that seems uninterested in arms control. If the United States doesn't demonstrate some purpose and finesse, they will set off on their own paths to Moscow.

If Secretary Haig will not be allowed to define America's direction, the more imperative that Reagan take on the task.

Keeping the Kremlin guessing about

American intentions is dangerous. It enlarges the risk that the Soviet leaders will miscalculate the odds on SALT as they design new weapons, or misread Western reactions to their conduct in Poland. And if they guess wrong about U.S. motives, the United States in turn will surely misread theirs. In nuclear chess, all the pieces had best be visible.

Sweating the Russians might be fun if it didn't make the rest of the world perspire, too. The West Europeans have shouted for months that politically they cannot accept new nuclear weapons if their people can see no end to the arms race. The less developed nations cannot forever resist the spread of nuclear weapons if the nuclear powers make no progress in reducing their own arsenals.

Moreover, other nations have higher priorities than containing Soviet power. They will work with America only to the extent that it works with them. Anti-Soviet coalitions in the Middle East will not survive a deadlock in Arab-Israeli diplomacy. Arms sales to Pakistan and China will achieve little if they create new openings for Moscow in India. The idea that Communism is a greater threat than racism or feudalism is not self-evident to Africans or Central Americans.

No amount of military or economic power will impress allies, or adversaries, unless they believe that it will be used to address their insecurities as well as America's. The Russians need to know the price of future trade with the West and the kind of arms control Reagan envisions. The allies need to know his plan for preserving a stable Europe. The poor nations need to know what America offers that Moscow does not.

To boast of common sense is not to define a common purpose. Mistrust of the Soviet Union creates no basis even for an adversary relationship. Reagan does need more than a speech. He needs a sturdy web of policy.

THE NEW YORK TIMES.

Washington Nonsense

It may be the most preposterous news of the century: "A Senate subcommittee Thursday decided, by a 3-to-2 party-line vote, that human life begins at conception..." Well, we thought, thank God the five of them finally made up their minds. What greater authority could one ask for on this matter, after all, than the members of the subcommittee on the separation of powers of the U.S. Senate? And what more appropriate way to decide such an issue than by an up-or-down vote of five politicians? As the fellow said, only in America.

It did occur to us that there is a certain contradiction in the position of those who have been advocating such a finding by the U.S. Congress. For in those few hours of the day when they are not seeking to guarantee that the human fetus will enjoy all the legal rights of a human being, they are seeking to guarantee that human beings will enjoy as few rights as possible. This lobby is not exactly what you would call a great civil, human or legal rights crowd. They may be terrific on getting you born, but once you're born it seems as though the first thing they want to do is unplug your television and lift your passport.

The legislative vehicle of this theological finding is something that has been nicknamed the human life bill. It is the handiwork of Sen. John East of North Carolina, who was voted by the Lord (we decided this by a 4-to-3 vote) to make Sen. Jesse Helms look liberal. His bill is intended to circumvent the Supreme Court's 1973 finding that a variety of anti-abortion laws then existing were not constitutional. It is terrible legislation, and even some of those who favor a constitutional amendment banning abortion think so. What is good about it is that it serves as an illustration of how absolutely out of line — how far beyond their competence, expertise and authority — America's secular politi-

cians are getting in their efforts to make law on this question.

That brings us to what may have been the second silliest argument of the week: that concerning the abortion credentials (we can think of no other way to put it) of Sandra Day O'Connor to serve on the Supreme Court. Consistency does not seem to be an excessive burden on those fighting her on these grounds. First it is argued that what is wanted in a Supreme Court justice is, above all, a penchant for merely interpreting and applying the law, as distinct from making it; in the next breath it is earnestly argued that Mrs. O'Connor should be made to commit herself to a policy position on abortion. This last, of course, has everything to do with making law and much less to do with application or interpretation or the rest of that modest mandate that goes by the name of strict constructionism.

We cannot say that the anti-abortion forces, commenting on this, have been a lot more helpful. The whole argument is askew, about the wrong thing — too much on political result, not enough on how and why that result was reached. It avoids little insight into the woman's qualifications, thinking or prospective temper as a jurist. Her so-called "pro-abortion" choices in the past may well have represented a very conservative reading of the law and of the permissible reach of politicians. Tell us whether that's liberal or conservative, pro- or anti-abortion, good or bad for human life.

We think Mr. Reagan has probably got himself a conservative jurist. Maybe it's time for some redefinitions. Will someone please explain how this currently noisy, politically weird and truly far-out group of people pressing for ever more involvement by an all-powerful state in American citizens' private lives and private choices got to be called "conservative" in the first place?

THE WASHINGTON POST.

International Opinion

Social Policy and the Riots

Faults in policing are not the root cause of violence, though they may sometimes be the trigger. Britain's inner cities are now slipping into the crisis America suffered in the sixties. We have been expecting it for years, and now it has come. It may be weaker, more spasmodic, different, but it is not to be neglected. Specifically, it is not a time for central government to be starving inner cities of funds in favor of the shire counties.

— From The Observer (London).

Faced with the worst social crisis this country has suffered since World War II, the

government does not know what to do. This is not surprising. Just as there is no simple diagnosis of the causes of the riots, sub-riots, looting and destruction that have swept several cities, there are no simple solutions. The government feels it must do something. The danger is that, in the urge for decisive action of any kind, it will do the wrong thing.

It would be a good thing if Mrs. Thatcher could demonstrate a little compassionate social insight. The great risk to farsighted statesmanship is posed by doing to Liverpool, Manchester and Brixton what was done for a generation to Northern Ireland: pretending that it is only "their" problem out there, not ours, all of ours, here and now.

— From The Sunday Times (London).

In the International Edition

Seventy-Five Years Ago July 13, 1906

CARLSBAD, Germany — Prince Alexis Orloff, who arrived here a few days ago to take the cure, received a telegram from Russia last night informing him that the famous Orloff stud of horses has been completely burnt and destroyed and his estate ruined by the peasants. In St. Petersburg the forthcoming visit of the British fleet is calling forth some opposition on the part of a section of the press, which affects to see in the event an attempt to give moral support to the government in its fight with the Duma. The more intelligent class of Russians, however, welcome the signs of an era of better feeling between England and their own country.

Fifty Years Ago July 13, 1931

PARIS — With the specter of bankruptcy hovering dangerously close to the front door of the Reichsbank, attention of world capitals yesterday was focused on the German situation and its possible implications on the war-debt moratorium. In Berlin the cabinet was in session all day, considering a drastic decree to cut off all credits and stop expatriation of capital. In France Premier Laval cut short his vacation to hurry to Paris, where he conferred with the German ambassador. The Darmstädter und Nationalbank, one of the biggest banks, is closing its doors this morning. An emergency decree by President von Hindenburg is to guarantee all deposits.



Foreign Policy: A Welcome Start

By William Pfaff

PARIS — There now is an American foreign policy. At least, there is an American policy toward the Soviet Union. It is a very little policy, only a beginning. It may not even be a sincere policy. But it is a relief after the void which existed before.

Secretary of State Alexander Haig is said to have informed Soviet Ambassador Anatoli Dobrynin that Washington would consider the Soviet Union's "response to international proposals for resolving the Afghanistan and Cambodian problems" as a test of future relations. It is said that a constructive response would significantly improve relations between Washington and Moscow.

For six months, the Reagan administration has offered verbal abuse of the Soviet government while indefinitely deferring negotiations and providing no comment on what Moscow might do to change things for the better, other than to cease to be a Leninist and professedly revolutionary power. Critics of the administration even now suggest that the new U.S. stance is meant merely to justify further delay in arms negotiations.

Yet it seems not to have been grasped in Washington how destructive the effects of its refusal to talk to Moscow have begun to be upon the alliance.

The new men of this administration had correctly understood when they took office that a show of firmness was necessary. The Soviet Union had to be given a demonstration that the new administration condemned what Moscow has done in Afghanistan and Africa, and that it would oppose what Washington assumed (correctly or not) that the Russians would like to do in the Gulf.

So they started out by "sending signals," as the strategists put it, of resolution and disapproval. But the signals produced affect without content; they expressed hostility without intelligibly communicating what could be done to resolve it. As a result, they eventually had the opposite effect of that intended. They drove the Soviet government

toward intransigence. What else was possible if the United States was unwilling to make constructive proposals or negotiate on the issues of its hostility?

And the signals seriously disturbed the West Europeans, turning what had been a minor pacifist and neutralist current in West German socialism into a serious political phenomenon. Chancellor Helmut Schmidt's government is in trouble today, and a major reason is that for six months now the United States has seemed to many Germans to be aggressive and uncompromising, unwilling to negotiate its disputes and bent on exporting to German territory its nuclear confrontation with Russia. That is how the NATO theater nuclear missile force has been interpreted on the West German left, and in pacifist and Protestant church circles.

Time for a Change

Now the United States has lent support to the European Community's initiative on Afghanistan. Lord Carrington's plan for an international conference on Afghanistan naturally is distasteful to the Soviet authorities, who call it "not realistic." They are wrong. Its realism lies in the fact that the present deterioration in East-West relations was determined by the Soviet invasion of Afghanistan. It is logical that it be ended by a Soviet decision to accept a political solution to the war in that country. It is in their interest to do so as well, since a military solution, it now is apparent, lies a very long way down a very dark tunnel.

The Soviet authorities would prefer to talk about nuclear missiles in Europe, as they recently have reminded former West German Chancellor Willy Brandt. This is indeed a proper subject for East-West negotiations, but Moscow is mistaken to think that it can talk on this matter while refusing any concession on the matters which preoccupy the Western states.

It probably is also mistaken to think that political pressures within Western Europe, such as those in West Germany today, can give them an eventual halt to the U.S. missile deployment without their paying a price for it. The pressures will not do so if the United States remains on reasonable terms with its allies; and theater missiles, in any case, do not absolutely have to be deployed on land.

Washington's new stand has another significance. A quiet struggle has been taking place in the administration between those who think the Soviet Union is an outlaw force in the world, responsible for turmoil on four continents, which must be isolated or even defeated if there is to be peace, and those other officials who look upon the Soviet Union as a "normal" power, albeit a difficult one, with whom negotiations and agreements are possible and necessary.

The newly announced criteria for constructive change in Soviet-American relations are hard ones, but they presume rationality, "normality," a legitimate and negotiable security interest on the Soviet side. Their disclosure suggests that in Washington the conservatives and realists are winning their struggle with the ideologues.

It would be foolish to say that they have already won. It is a fact that the Soviet Union's response to this new initiative will have an important effect upon what in the end happens in Washington.

It could properly be considered in the Kremlin whether the Soviet Union really has a constructive alternative to talks on Afghanistan and Cambodia, which so agitate the international community — and on European missiles.

All are difficult subjects, but Lord Carrington and the West European governments are available as interlocutors, and the outcome promises to make the Soviet Union more secure, not less. Moscow and Washington have been on an increasingly dangerous course; the time has arrived for both to call a halt.

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A Veteran's Fiction In Honor of Honor

By R. James Woolsey

The writer, formerly undersecretary of the Navy, is a lawyer in Washington and contributing editor to the Armed Forces Journal.

WASHINGTON — A new novel, "A Sense of Honor," uses an incident of hazing at the U.S. Naval Academy as a prism to break apart one's comfortably monocromatic view of the 1960s into different-hued, overlapping, strangely focused components.

As a novelist and as a man, James Webb is not your passive aesthete without a point of view. He recently told the Reagan administration, which was courting him to head the Veterans Administration, that his terms were independence and direct access to the president to argue the case for his fellow Vietnam veterans. (As a Marine officer in the war, Webb was highly decorated and often wounded.) The administration allowed as how it preferred a team player. Webb is a player, all right, but his sport at the Naval Academy was boxing. His novel deals a series of stiff jabs to much of the military establishment and a haymaker to the 1960s-vintage self-image of many citizens.

A Believable Mode of Leadership

At one level, the novel is about how a modern samurai, Fogarty, a midshipman about to graduate and become a Marine officer, becomes ensnared by a civilian professor and lawyer as he tries to save a brilliant but very non-military plebe from dropping out.

Fogarty is about as far as you can get from a management-oriented military bureaucrat steeped in the lore of systems analysis. Fogarty's tools of leadership are a combination of old-fashioned physical hazing and a program of instilling self-respect in the plebe, Dean, by getting Dean to join him in pushing himself beyond what is asked of others — for example, sprinting in the dim predawn light along the treacherous wet rocks of the academy's sea wall. The physical demands that Fogarty forces Dean to undertake with him ring far truer, as the essence of leadership, than those things that are done to Dean. It is part of Webb's skill that he makes skeptical civilians understand how, for these two very believable characters, this mode of leadership could work.

Not Mainly About Hazing at All

It is clearly Webb's conviction that such physical testing is essential to mold the modern military man — and this view has drawn fire from civilians and from many academy graduates as well. That conviction is a reasonable target, even in a debate among heroes. A Medal of Honor winner and former prisoner of war, retired Vice Admiral James Stockdale, resigned recently after a year of heading The Citadel in South Carolina, in part because he felt hazing was interfering with the institution's development academically and as an all-around military training ground.

You needn't agree on this point with boxer Webb, Marine Webb, victor in hand-to-hand combat with North Vietnamese Webb, to appreciate what novelist Webb has done — any more than you have to be a Marxist or a pacifist to be moved by Bertolt Brecht's great anti-war drama, "Mother Courage." For at a level much deeper than the adulteries and other diversions that swirl through the book, and also well below the level of Fogarty's arguable method of bringing a plebe along the road to manhood and leadership, Webb is saying something — skillfully and perceptively — about what has happened to America's sense of honor during the last 15 years. This book is no more just about hazing than "Moby Dick" is just about whaling.

Honor Carries a Heavy Handicap

Webb is saying that during those 15 years, a part — by no means all — of the American military establishment has been the keeper and preserver of some essential values for society: sacrifice, service and duty, among others. (The Naval Academy is a good metaphor for this; it is impossible to walk through it without realizing that it is not merely a school for officers but the Navy's seminary and shrine as well.) In the inevitable conflict between these values of honor and the uncaring, intolerant civilian world run by lawyers and such (Webb happens to be a lawyer, too), honor carries a heavy handicap. How the conflict was played out in the '60s is the core of a book that ends with an elegant gesture.

In many other societies, even in a modern Western democracy such as France, this timeless mismatch of values between the few who serve and sacrifice, and the many who grumpily allow themselves to be served and sacrificed for, has had pathological results. In the aftermath of France's withdrawal from Algeria, an event comparable to the U.S. withdrawal from Vietnam, much of the French military retreated into itself, and its bitterness festered into conspiracy and near-revolution. In the United States, this conflict in values produces, instead, fine novels such as Webb's.

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Immigration:

Richard D. Lamm, Democratic governor of Colorado, wrote this comment for The New York Times.

DENVER — Abraham Lincoln put it well: "As our case is new, so we must think and act anew. We must disenthrall ourselves." Few issues facing the United States are as important as the question of immigration, and on no other issue are Americans so blinded by past myths.

As children and grandchildren of immigrants, we have made immigration such a part of our mythology and folklore that it is immensely difficult to come to grips with the new realities. But history plays strange tricks on civilizations: Yesterday's solutions become today's problems.

Once the United States needed immigrants to people an empty continent. The myth lingers on, but those days are gone, never to return. Frontier America is gone, replaced by an America of 7.6-percent unemployment, with appallingly high unemployment among youth who are minority-group members. Increasingly scarce resources, severe economic problems and the U.S. social fabric demand a rational immigration policy.

Immigration is already at the highest level in U.S. history: 808,000 legal immigrants in 1980, including the special status given to Cubans and Haitians. That is twice the number of immigrants accepted by all the rest of the world.

In addition to these legal immigrants, illegal immigration is at a high, non-quantifiable level. We do know that we had more than 1 million apprehensions of illegal immigrants in the last few years — 10 times the level in the early 1960s. It is not usually recognized, but most immigrants came not in 1911 or 1933 but in 1980. Legal and illegal immigration accounts for half the U.S. population growth rate and a rising percentage of crime.

Whatever the pressures now, they will soon grow dramatically worse. The population of Mexico has nearly tripled since 1945 and is expected to double in the next 20 years. Mexico has a labor force of 19 million people, half of them unemployed or seriously underemployed. Considering the great discrepancy in per capita income, the northward pull is tremendous.

We have to get our hearts in line with our heads and our myths in line with reality. We know we cannot accept all the people who want to come to the United States. We know our immigration policy has to be designed in the U.S. interest.

We hate to say no to that worthy individual from the poverty-stricken country who just wants to do a little better. It seems selfish to set limits. The lady in the harbor would not understand. I believe, though, that dramatic reform is necessary and inevitable, and that the sooner we recognize this, the better off we will be.

Every year the United States imports a new poverty class. America owes its first duty to its own disadvantaged, unemployed and poor to maintain the strength of the United States. We can only meet our commitments by placing realistic limits on immigration.

The lady in the harbor symbolizes liberty, not immigration. It is time that we disenthrall ourselves.

Letters

Iran After Bani-Sadr

The initiation of the so-called "Third Revolution" in Iran is indicative of the inevitable change that has yet to occur in that troubled country.

The demise of Bani-Sadr, within the present ruling structure, is not really a matter of great surprise, for the Iranian people were at no time under any delusion regarding his ascent to a position of high office. The force — Khomeini — who made him had the power also of breaking him, as has been demonstrated. A somewhat different image of Bani-Sadr in the West is due to the ill-fated attempt on the part of Western media, back when they were vainly seeking a resolution of the hostage crisis, to build him up into something that he clearly was not.

Today, pressures postponed by the hostage crisis and the Gulf war have finally forced themselves to the forefront of Iranian politics. With the radical clergy as the only remaining segment of the large coalition that toppled the shah in 1979, the prospects of salvaging Iran from the hands of destructively incompetent individuals have never looked more realistic. What is required is a coalition consisting of a secular political leadership such as Dr. Bakhtiari's National Resistance Movement, allied with moderate clergy and supported by the armed forces.

Time, although most important, is not a limiting factor, as this coalition representing a majority of Iranians must prepare itself for the coming battle that will determine the future free existence of Iran's people, as well as the survival of its distinct culture and heritage.

MORAD KHAVARY

London

Fourth of July Music

It was with a great deal of chagrin that I attended the annual Fourth of July celebration in Geneva sponsored by the American International Club and found that one of the featured attractions was the Orange Free State Wind Ensemble of South Africa.

Rather than have those representatives of a foreign regime appear under the banner of the United States, which flew high over the festivities, along with the Swiss cross, it would have been far better for the image of my country if the organizers of "the largest American Independence Day celebration outside the United States" had left the stage bare.

GEORGE L. GARRIGUES

Geneva

Crime Against Humanity

In his article on pacifism in West Germany (IHT, June 23), John Dornberg writes: "Then there are the Christians, both Protestant and Catholic, who take the Fifth Commandment and the Sermon on the Mount literally."

How else, I ask as a Buddhist, are they to take them? If in the past Christians had really practiced their



religion, and if today the so-called Christian countries of the world really followed the teaching of Christ, the balance of terror, which is in reality the balance of ultimate terrorism, would never have come about. The use or threatened use of nuclear and other weapons of mass murder must be outlawed as a crime against humanity.

NARA GREENWAY

Rome

Anti-American Germans

Re the article (IHT, July 6) on anti-Americanism in West Germany, I would like to stress that it is not public opinion but just certain quarters that are anti-American in this country. The large majority of Germans are still well able to distinguish between friends and enemies.

That special sort of Yankee-phobia you refer to is a temporary phenomenon destined to pass by, like bad weather and flu epidemics. It is caused by frustrated intellectuals who tend to forget that it is not American but Soviet missiles that aim at their playgrounds; and that it is the Americans who guarantee the exercising of all kinds of political foolishness in West Germany.

ERICH WIEDEMANN

Jesteburg, West Germany

Anti-Abortion People

An article by Charles Peters ("On Knee-Jerk Responses," IHT, May 30-31) contained the following passage: "The anti-abortion people refuse to acknowledge the occasions when having a baby would be disastrous for a mother or her family — or the toughest fact of all, the fact that is suffered by children who are truly unwanted."

These statements are false. There are plenty of anti-abortion people who perceive the problems involved if certain children are brought to birth and born. And they are trying to do something about these problems. Some of them are dedicating their lives to the endeavor.

I suggest that the writer do some investigation into the matter. He could check on the organization "S.O.S. Mothers-to-be" or contact "Life," 35 Kentworth Road, Lexington, SpA, England. There are other sources he could contact but these are enough to get him started if he is interested in the truth.

JAMES SWENAM

Rome

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1980

Mexico Ends Loan Dispute With Banks

By Carl Gewirtz
International Herald Tribune
PARIS — Ending a dispute that had held up completion of almost \$2 billion in new loans, Mexico and its major bank lenders have settled on new working in their credit agreements — wording which could become standard in other Euro-market transactions.

SYNDICATED LOANS

box) or the prime rate of U.S. banks as the base on which to set the interest rate. The standard practice allowed lenders to drop the prime rate and substitute the rate on 90-day certificates of deposit if that rate exceeded the prime.

"Unlike the London interbank rate, which is a market rate set by supply and demand and is generally regarded as representing the true cost of funds, the prime is an administered rate, which does not rise and fall in direct relation to changes in the banks' underlying cost of money. And, unlike Libor, the prime already has included an element of profit for the lender.

Mexico, the largest single borrower in the Euro-market so far this year, is relying increasingly on the prime option in an effort to appeal to a broadening group of lenders. The regional U.S. banks have largely abandoned the Euro-market because of the narrow margins offered over Libor, but do participate in loans pegged to the prime rate.

Mexico's Objection
But Mexico objected to having no control over the cost of its loan through the lenders' ability to automatically switch to the CD-based pricing. In addition, the CD rate is only one of many measures of a bank's cost of money.

Under the new wording accepted last week by the syndicates leading \$550 million to BNCE and \$400 million to Banco Soles, a 10-day "observation period" begins when the lenders declare that the prime rate no longer reflects their own cost of money. The delay is to allow time to assess whether the divergence in the rates is a freak event or whether there has been a "structural" change in the market.

If structural, a 20-day negotiation period opens during which

VW's Immigrant Status Adds to Problems in U.S.

By Lydia Chavez
New York Times Service
WESTMORELAND, Pa. — The rhythm of the assembly line is hypnotic. Young men and women fasten on accessories in measured steps while the freshly painted frames of Rabbits bob down the line to a meeting with their West German-made engines.

The orderliness of the three-year-old plant, however, hides the problems that Volkswagen has encountered since it decided to open its first assembly plant in the United States.

In the early 1970s the popularity of the Beetle helped the West German automaker capture 6 percent of the U.S. market. Sales fell off sharply in the mid-1970s, and the company began to consider the possibility of building cars in the United States.

The construction of the assembly plant has not ended the troubles, however. Last year Volkswagen's share of the market was down to 2.8 percent, and lagging car sales prompted it to close its plant here for a week in June. When the plant reopened, production was cut by 100 vehicles a day — to 940 Rabbits and small trucks — and 300 of the plant's employees were laid off.

Difficulties Foreseen
"We are not doing as well as we would like to do," said Richard L. Mugg, vice president of sales and marketing for Volkswagen of America, a subsidiary of West Germany's Volkswagenwerk. "We would not have closed the Westmoreland plant if everything was rosy."

While Volkswagen's U.S. unit earned \$10 million in 1979, it lost \$30 million in 1980, and most analysts believe it will have difficulty turning a profit this year.

Although some of the problems are like those plaguing other auto manufacturers, Volkswagen has a few special problems arising from its immigrant status.

When the company decided in the late 1970s to build the Westmoreland plant at a cost of \$400 million, the Deutsche mark was quite strong as compared to the dollar. What could be built in West Germany could be built in the United States at less cost.

"They can probably still produce the cars cheaper here," said Donald Hurten, manager of automotive consulting for Arthur D. Little. "But if the mark continues to drop, it could shift the cost benefits back to Europe."

Volkswagen of America imports about 40 percent of the Rabbit's parts, including the engine. Many of the car's other components are made in the United States by manufacturers that charge Volkswagen a premium because of its stringent specifications and



The high hopes at Volkswagen have dimmed since the 100,000th Rabbit was built at the U.S. plant two years ago.

relatively small orders, according to Roy H. Langenbach, the Westmoreland plant manager.

Its reliance on outside manufacturers has been reduced to some extent by the addition of a stamping plant and an air-conditioner and heating plant.

"When you have to buy so much of your products, your profit margin is naturally going to be smaller," said LeRoy H. Lindgren, vice president of Rath & Strong, a consulting concern in Lexington, Mass.

Despite Volkswagen's problems, the company seems determined to proceed with a second plant at Sterling Heights, Mich. It is to open next year at a cost of \$300 million. Production will gradually increase to 185,000 cars a year by mid-1983.

Of the 293,595 cars and trucks Volkswagen sold in the United States last year, two-thirds were assembled at Westmoreland.

Mr. Mugg says his company should be able to sell the output of both plants — a combined capacity of 410,000 a year — plus 100,000 imported cars by 1984.

To do this, Volkswagen sales would have to jump 74 percent. Considering the dismal auto market that most analysts predict for the next five years, Volkswagen's hope for steady growth of more

(Continued on Page 9, Col. 1)

New Forecast by White House Sees Stagnant 1981 Economy

By Caroline Atkinson
Washington Post Service
WASHINGTON — The Reagan administration's latest economic forecast, to be officially released this week, predicts a virtually stagnant U.S. economy for the rest of this year.

Unemployment is expected to rise to 7.7 percent by the fourth quarter from its present 7.3 percent. Interest rates should begin to fall and a continued slowdown in inflation is expected, sources said. But the latest numbers showed that the administration is sticking by its original optimistic view of the economy beginning with 1982.

[Commerce Secretary Malcolm Baldrige predicted, in an interview with The New York Times, "a tougher third and even fourth quarter than most people are looking for." He also forecast that the Federal Reserve Board "will hang in there" with its policy of maintaining rigid controls on money-supply growth.

Carter Fauted
[Mr. Baldrige blamed this year's troubles on what he called "overstimulation" of the economy during the 1980 election campaign. He said there was no doubt in his mind that the overstimulation in both fiscal and monetary policy was "politically inspired" by the Carter administration.]

The Reagan administration's forecasts of a growing economy coupled with declining inflation have been seen as unduly rosy by many outside economists, whose skepticism has been reflected in the financial markets, where interest rates have remained stubbornly high.

By next year, the Reagan forecast says the economy will pick up, while inflation and interest rates will continue downward. And by 1984, inflation is predicted to be running at only 5.3 percent, while the economy grows at 4.5 percent in real terms and unemployment averages 6.2 percent of the labor force.

The latest figures take into account the much-higher-than-predicted interest rates, faster growth and lower inflation that have occurred in the first six months of this year.

The economy is now expected to grow by 2.6 percent during 1981, compared with an original forecast of 1.1 percent, while inflation is put at 9.9 percent for the year as a whole rather than 11.1 percent.

However, all the growth in the

economy came in the first quarter of this year.

According to the Reagan figures, unemployment will decline steadily from 7.6 percent in the first three months of 1982 to 7 percent by year's end, sources said. Many private economists are less optimistic, believing that the Federal Reserve Board's tight money policies will keep the economy from growing very rapidly and unemployment from coming down. Real growth is supposed to average 3.4 percent next year, down slightly from the original 4.2-percent estimate.

Administration officials say that Mr. Reagan's tax and spending cuts together will bring down interest rates and inflation while leaving room for economic growth.

Interest rates have remained high so far this year and the new forecast reflects this. Three-month Treasury bill rates are expected to average just over 13.5 percent for 1981, rather than the 11.1-percent rate predicted in February.

However, officials believe that rates will begin to fall very soon from their present level — almost

15 percent — and will slide quarter by quarter during 1982 to 9 percent by the end of the year.

The higher interest rates will push up federal spending this year and next, but because of a delayed tax bill the budget deficit numbers for 1981 and 1982 are not expected to be changed very much, sources said. This year's budget gap is expected to be higher than the \$51 billion to \$52 billion predicted recently by Treasury Secretary Donald T. Regan.

Another factor putting pressure on the deficit is that tax revenues have been less than expected so far this year.

One of the parts of the forecast that is most likely to be challenged by outside economists shows interest rates falling steadily throughout next year and thereafter, to as low as 5 percent in 1987. By then the annual inflation rate, as measured by the consumer price index, is forecast to be only 3.9 percent; real growth is also expected to be 3.9 percent and unemployment 5.3 percent of the labor force, sources said.

Such a combination of high growth and slowing price rises during the 1980s would make a balanced budget much easier to achieve. The Congressional Budget Office disagreed with the administration's earlier predictions of a balanced budget by 1984, largely because of very different economic assumptions.

The Reagan scenario shows the economy's growth rate peaking at 5 percent in 1983.

Rate, Policy Uncertainties Becalm Market

By Carl Gewirtz
International Herald Tribune
PARIS — Continuing high short-term interest rates and fatigue from waiting for the ever-hoped-for relaxation of U.S. monetary policy just about shattered the Euro-bond market last week. And the outlook for this week is equally uncertain.

Late Friday, the New York Federal Reserve reported that the U.S. money supply declined — M1-A down \$500 million and M1-B off \$1.3 billion — in the week ended last Wednesday. This was especially good news, as many analysts had been anticipating an increase. The immediate impact was to push interest rates lower as prices of bills, notes and bonds rose in late New York trading.

However, this gain was immediately erased when the Fed in Washington released the minutes

of the May 18 meeting of its policy-making Open Market Committee. Credit markets were jolted to discover that the Fed had reduced its short-term targets for April.

EUROBONDS
June growth for M1-B to 3 percent from the previous 5% percent and for M-2 to 6 percent from 10% percent. At the same time, it hiked the target range for the cost of federal funds to 16-to-22 percent from 13-to-18 percent.

Continued Risk Seen
"Indications of continuing strength in economic activity combined with the recent exceptional rise in the income velocity of money posed the risk of pressure for excessive expansion in money and credit," the minutes said.

The recent moderation in the consumer price index "did not appear to reflect as yet any clear relaxation of underlying inflation," the minutes added.

In light of this report, analysts took another look at the large rise in both commercial and industrial loans of \$3.66 billion in the week to Wednesday as well as the \$5.5-billion loan being organized for Texaco, the \$3 billion for both Du Pont and Conoco and the \$2.5 billion for Pennzoil and began to worry how the Fed would react to these figures.

The fact that the cost of overnight money in New York on Friday had ranged from 18 to 19 percent before closing at 19 percent was taken as a hopeful sign that the Fed was not too worried. However, analysts fretted that the Fed's willingness to supply funds on Friday may have had more to do with the transfer to Iran of \$2 billion of previously frozen funds than as a signal of the Fed's attitude to the market.

Despite this very uncertain background, one new issue has been scheduled for this week. Arizona Public Service Co. plans to issue \$50 million of seven-year paper bearing an indicated coupon of 16 percent. Only a handful of Eurobonds have ever been floated with so high a coupon.

The utility's first mortgage bonds in the United States have been rated A by Moody's and A- by Standard & Poor's. The Eurobonds is unsecured and therefore would carry a lower rating.

No pricing has been indicated

(Continued on Page 9, Col. 5)

CURRENCY RATES

Interbank exchange rates for July 10 1981, excluding bank service charges.

	\$	£	D.M.	F.F.	ItL	G.M.R.	B.P.	S.F.	D.K.
Amsterdam	2.21	1.43	11.20	4.83	2.227	14.719	—	19.195	5.22
Brussels (a)	39.95	75.80	16.3747	6.834	2.282	89.778	6.104	117.30	31.88
Frankfurt	2.205	1.426	—	—	—	—	—	—	—
London (b)	1.2942	—	—	—	—	—	—	—	—
Milan	1,218.20	2,305.50	498.24	208.25	—	407.72	30.423	382.92	158.90
New York	—	1.00	0.6097	0.1718	0.08	0.3485	0.2572	0.6119	0.1787
Paris	5.855	11.802	239.33	—	0.115	714.80	14.65	281.58	78.41
Zurich	2.205	1.426	—	—	—	—	—	—	—
ECU	1.0009	0.5454	2.522	0.028	1.25586	2.867	41.3279	2.1499	7.9863

Dollar Values

	\$	Currency	Per U.S.\$		\$	Currency	Per U.S.\$	
1.164	Australian \$	0.6741	0.9036	Israeli shekel	11.96	0.0436	Singapore \$	2.157
0.892	Austrian schilling	17.18	0.0644	Japanese yen	228.275	0.0044	S. African rand	68.20
0.229	Belgian franc	41.85	2.5248	Kanari dollar	4.287	0.2314	S. Korean won	68.20
0.209	Canadian \$	1.2942	0.7727	Malay. Ringgit	2.3465	0.4213	Spanish peseta	166.37
0.120	Danish krone	7.072	0.1437	Norw. krone	6.1075	0.1638	Swedish krona	5.164
0.21	Finland mark	4.524	0.221	Phil. peso	6.807	0.1467	Taiwan \$	36.24
0.018	French franc	59.13	0.0165	Port. escudo	44.463	0.0227	Thai baht	20.75
0.177	Hong Kong \$	5.465	0.1821	Saudi riyal	3.4115	0.2923	U.A.R. dirham	14.73
1.494	Irish £	0.667	0.6792	S.O.R.	1.1374	—	—	—

£ Sterling; 1.2475 Irish £.

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 100. (c) Units of 1,000.

This announcement appears as a matter of record only.

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Crédit Lyonnais Daiwa Bank (Capital Management) Ltd. Daiwa Europe Limited
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Mitsubishi Bank (Europe) S.A. Mitsui Trust Bank (Europe) S.A.
Morgan Grenfell & Co. Limited MTBC & Schroder Bank s.a.
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June 1981

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Extensive 24 Hour Refund Service	✓	✓			
Worldwide Presence	✓				
Widest Currency Range	✓				
World's Largest Travel Organisation	✓				

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International Bond Prices - Week of July 9

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Table of recent bond issues with columns for Amt, Security, % Mat, Price, Yield, and Life. Includes entries for various international bonds like 'Gold Fields Bermuda' and 'Austrian Government'.

STRAIGHT BONDS All Currencies Except DM

Large table of straight bond prices for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, and USA. Columns include Amt, Security, % Mat, Price, Yield, and Life.

Table of bond prices for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, and USA. Columns include Amt, Security, % Mat, Price, Yield, and Life.

HIGHEST YIELDS to Average Life Below 5 Years

Table listing highest yields for average life below 5 years, including entries for 'Austrian Government' and 'Belgian Government'.

HIGHEST YIELDS to Average Life Above 5 Years

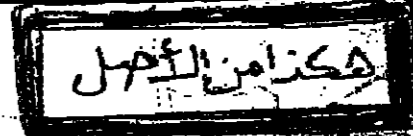
Table listing highest yields for average life above 5 years, including entries for 'Austrian Government' and 'Belgian Government'.

HIGHEST CURRENT YIELDS

Table listing highest current yields for various bonds, including entries for 'Austrian Government' and 'Belgian Government'.

Table of bond prices for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, and USA. Columns include Amt, Security, % Mat, Price, Yield, and Life.

WestLB advertisement for Eurobonds, DM Bonds, and Schuldscheine. Includes contact information for Düsseldorf, London, and Luxembourg offices.



Large Mergers Enjoying a New Currency While Taking Over the Corporate Spotlight

By James L. Rowe Jr. and Merrill Brown

Washington Post Service
NEW YORK — The day of the big corporate merger has returned.
After something of a lull in 1980, the multi-billion-dollar acquisition is back in the news. Last Monday Du Pont, the largest U.S. chemical company, announced what will be, if approved, the largest merger in history in its plan to spend \$7.3 billion in cash and stock to buy Conoco, the ninth-largest U.S. oil company. The value of the merger, however, rises and falls with the change in the stock price.
[Conoco said Friday that it has boosted its line of credit to \$3 billion, a stockpiling of cash that immediately aroused speculation that it

may have fears that its merger with Du Pont is in trouble. The Associated Press reported.
[Some analysts believe that Conoco might be raising a defense fund in case it has to fight off an unwanted suitor, while the company said the line of credit — from domestic and foreign banks — was arranged "for general corporate purposes."
["It sounds to me like too much for general corporate purposes," Constantine Flakos, an analyst for Merrill Lynch, Pierce, Fenner & Smith, told The Associated Press. He speculated that Conoco might be considering bidding for its own shares if that becomes necessary to fight off a hostile bid.
[Conoco said its line of credit was arranged with a group of banks led by Bank of America,

Chase Manhattan and Morgan Guaranty Trust. It replaces a \$1-billion line arranged in May.]
Largest of Many
But the Conoco-Du Pont courtship — a "friendly" link-up — is merely the largest of a host of gigantic mergers and merger attempts in the past few months:
• Standard Oil of California (SoCal) wanted to pay \$3.9 billion to buy AMAX, a deal that AMAX spurned, although Wall Street sources say SoCal may make another run at the firm.
• Elf Aquitaine, the oil company 67-percent owned by the French government, has made a \$2.8-billion offer for Texasgulf, a leading sulfur producer that has endorsed the purchase.

• Standard Oil of Ohio bought Kennecott, the big copper producer, for \$1.8 billion.
• Nabisco and Standard Brands — the giant food packagers — engaged in a true merger, combining to become Nabisco Brands.
• Seagram, the big Canadian distiller, has played a major role in two of the recent mergers, and one highly placed Standard Brands source said fear of a Seagram bid helped propel the Nabisco merger. Seagram made an unsuccessful \$2-billion bid for St. Joe Minerals, which St. Joe fended off by finding a white knight, Fluor Corp. Seagram's \$2.55-billion attempt to gain control of Conoco drove the oil company into the arms of Du Pont, which has long had a desire to find a secure source of petroleum for its petrochemical operations.

Two years ago, however, it is doubtful that corporations would have entertained the idea of a combination as big as Du Pont-Conoco, let alone actually make the offer.
In those days a Democratic-controlled Congress appeared willing to put the clamps on big corporate combines, while the Carter administration, at least publicly, also looked askance at two big businesses merging. One bill supported by liberals would have limited all conglomerate mergers, while another would have blocked large purchases by oil concerns of nonpetroleum companies.
But Congress never passed the legislation, and now only the House remains in the hands of the Democrats and the antitrust attitude in the Reagan administration toward mergers is significantly looser.

But even the Federal Trade Commission, run by a Carter appointee, permitted Exxon, the giant oil company that is the world's largest industrial corporation, to spend more than \$1 billion two years ago to buy the giant electrical equipment producer, Reliance Electric.
Even if companies looked at what the Carter administration said rather than what it did, they must feel more comfortable with Mr. Reagan. Attorney General William French Smith said two weeks ago that bigness was not necessarily bad.
"You knew that the pendulum would swing because antitrust doesn't have a constituency supporting it," said a liberal former government antitrust official. "When in a period of economic crisis, you need a whipping boy. The (Continued on Page 11)

More U.S. Investors Buying Gold Even as Price Flirts With \$400

New York Times Service
NEW YORK — Investors in gold had their faith in the metal tested again last week as its price twice dipped briefly below \$400 a troy ounce, the level that investors currently consider a significant psychological barrier.
But those who bought gold — whether at the record \$375 in New York on Jan. 21, 1980, or at \$400 some 19 months ago, or at \$375 two weeks ago — remained steadfast in their belief that the metal represents a greater store of value than paper money or securities.
In fact, dealers, banks and brokerage houses that serve the retail trade in gold bullion coins and bars reported last week that, with prices at a 19-month low, buying volume has been rising in recent weeks.
Oddly, shares in gold mining companies on all exchanges, particularly those of South African producers, have also been rising, despite the fact that their yields have fallen dramatically in the past year and are now below U.S. Treasury bill yields, an unusual relationship for the gold stocks.

olas L. Deak, president of the Deak Perera Group, the largest retailer of gold bullion coins. He also said there had been fairly heavy selling of bullion coins in the last two weeks because people who had bought at higher prices wanted to establish a tax loss. Then, he expects them to turn right around and buy again.
Bottoming Out
The upsurge in buying, particularly of bullion coins, has been traced directly to the belief that a market bottom had been reached. One reason for this view is that prices have sustained two downward assaults this past week alone, each time refusing to stay below \$400. According to commodity analysts, that means a trend reversal is in the works.
Frederick S. Bogart, senior vice president and chief of precious metals trading at the Republic National Bank, the largest gold dealer among banks, also reported an upturn in business. "I wouldn't term it spectacular, but business, both retail and wholesale, is better than we have seen since January, when many of our staff had nothing to do," he said. The increase in buying also applies, he said, to silver, which suddenly began to attract buyers when its price dropped below \$9 an ounce a few weeks ago.
Jacques Luben, Merrill Lynch's senior market specialist in precious metals, also reported a rise in small investor interest and in "paper gold," or warehouse receipts for bullion kept in domestic or foreign bank vaults. He said his company's business in bullion coins and paper gold picked up significantly after gold broke the \$450-an-ounce level two weeks ago, and that it has drawn new buyers into the market. Merrill Lynch's paper gold program, the Share Builder Gold Program, is similar to those at other big brokerage houses, banks and retail coin shop chains. They operate like money funds, except that the funds deposited are used to buy gold at the going price. Withdrawals are also based on the prevailing bullion price.



Gold's luster has dimmed but has not disappeared despite the slump in prices.

Nonsense
That does puzzle market experts. "It makes no sense today to buy South African gold shares," said Andre Sharon, senior vice president for international investments at Drexel Burnham Lambert. "The yields on South African shares, for example, now range from 10 to 14 percent, compared with 25 to 35 percent a year ago. With the current yield on Treasury bills running at 14 percent, why bother with the gold shares? Bullion coins and bars are far more attractive today."
But investors continue to seek the shares and in the past week or so, the prices have been rising, while yields are way down. The most popular South African gold shares are ASA Ltd., listed on the New York Stock Exchange. Friday, ASA closed at \$47 1/2, up over three points on the week 47, despite a yield of only about 11 percent. In the spring of 1980, by contrast, when gold slipped to \$300 and was on its way to a sustained gain, ASA shares were at the 40 mark.

Business Picking Up
"What has been unusual during the recent fall in gold prices," he said, "is that we found a large number of first-time buyers — people who missed the last big advance and now want to get on the next one. As for the others, they are mostly people who ignore price moves. They are not gold bugs but basically investors in securities who put aside a fixed amount of money each month to buy bullion coins or our paper gold."
Mocatta Metals, the U.S. affiliate of the 300-year-old London brokerage house, is reportedly the biggest bullion dealer in gold and silver. It does not handle retail business,

but its trading room manager in New York, Ira O. Handler, said that "judging from the retailers and secondary wholesalers we supply, business has picked up in recent weeks."
Mr. Handler also reported a new trend among small investors in gold. "Many investors in bullion coins are switching from South African Kruggerands to the Canadian Maple Leaf," he said. "From what our customers tell us, it has nothing to do with South Africa's racial policies. Rather, it has to do with the premiums. Kruggerands retail for 3 to 4 percent above the value of bullion at the time of sale, while the premium on the same one-ounce Maple Leaf is about half that."
Mr. Handler said that many investors also prefer the Maple Leaf because it has no base metal added to strengthen it, as does the Kruggerand coin. "But both coins contain a full troy ounce of gold and unless one plans to melt down bullion coins, it really makes no difference," he added.

Investing in bullion coins and small bars is attractive because the transactions in these items, a major factor in the so-called subterranean economy, are free from the scrutiny of the tax collector. Bullion coin dealers and banks do not have to report transactions of less than \$10,000 to the Treasury or Internal Revenue Service.
At the retail level, the interest in gold coins has accelerated in the last fortnight. "Our business has suddenly come to life after being in the doldrums since the usual Christmas purchases of Kruggerands and other bullion coins for gift-giving," said Nico-

Consent Obtained
Bank of America and Bankers Trust, respectively lead manager and agent bank on the Bancobras deal, have obtained the consent of the other eight lead managers to change the wording and are in the process of polling the entire syndicate for their acceptance — which is expected.
One result of all this is that

Political Issues
Bankers refuse to discuss what they call "political" issues, saying that is a matter for governments. Bankers also note that all dollars look alike, making it impossible to enforce that dollars lent for a specific purpose are not diverted to financing something else.
And they agree with a Mexican, who shrugged the question off. "In a world of no competition," said this official who recently visited Paris, "you might expect such a reaction. But Mexico is a good customer of the banks" and the competitive nature of the business assures Mexico of a steady source of money.
He said that Mexico borrowed \$11 billion in the first six months of this year and expects to need

Uncertainty Over Rates, Policies Becalms Market

(Continued from Page 7)
by managers Credit Suisse First Boston. The issue is not callable for four years and then at a descending price from the opening premium of 10 1/4.
Only one straight issue was marketed last week, and it apparently was well received because the amount was increased to \$150 million from the initially indicated \$100 million.
Citicorp Issue
The borrower was Citicorp, which sold five-year notes bearing a coupon of 15 percent at a price of 99 to yield 15.30 percent.
Although rates on six-month to three-year Eurodollar deposits currently pay from 17 1/4 to 16 percent, merchant bankers Hill Samuels advised investors to buy quality bonds bearing coupons of 15 percent or more.
While this involves giving up an immediate advantage in the deposit market, the bank notes: "A drop in money market rates will push up bond prices. Only a 1 1/4 point price appreciation is necessary to make up this difference on a 14 percent two-year bond and two points on a three-year bond. Given our expectations for lower rates, this remains a distinct possibility plus the added potential for capital gain on bonds in this range."

Dai Nippon Ink & Chemicals is seeking \$30 million in convertible bonds, with a semi-annual coupon of 6 percent, is expected to be convertible into the printing company's Tokyo-listed shares at an anticipated premium of 5 percent.
Toyo Menka Kaisha, the Japanese trading company, is seeking \$30 million. These 15-year convertibles are expected to bear a semi-annual coupon of 6 1/2 percent and carry a conversion premium of 5 percent.
Murata Manufacturing increased the size of its convertible to \$40 million from the initially indicated \$30 million. Heavy demand enabled managers to set the semi-annual coupon at 5 1/2 percent, down from the indicated 5 3/4 percent. The price to convert the bonds into the electronic and elec-

trical components maker's stock was set at 2,190 yen, representing a premium of 4.25 percent over the prevailing price. The exchange rate for the life of the bond was fixed at 230.20 yen per dollar.
Hazama-Gumi sold its \$30 million convertible issue at par bearing a semi-annual coupon at the indicated 6 percent. The price to convert into the construction contractor's shares was set at 277 yen, representing a premium of 2.59 percent. The rate of exchange was fixed at 230.85 yen per dollar.
From the United States, Texas General Resources is raising \$15 million through 15-year convertibles bearing an indicated semi-annual coupon of 10 1/2 percent. The bonds are expected to be convertible into the oil and drilling firms' shares, listed on the American Stock Exchange, at a premium of 15 to 20 percent over the prevailing price.
Still on offer is Northwest Energy's \$50 million of 9-percent bonds, which are convertible either into the pipeline company's shares at an anticipated premium of 17 to 20 percent or alternatively convertible into fixed-rate notes bearing 16 1/2 to 16 3/4 percent.
Activity in the Deutsche mark sector was even more subdued. No new issues are expected to be announced before the next meeting of the capital market subcommittee on July 20 and there was little volume of trading. Prices on average eased about a quarter point.
Bankers reported seeing evidence of increased Midwest interest in DM securities, but added that the money was being invested in stocks rather than bonds.
Market Turnover
Week Ended July 10, 1981
(Millions of U.S. Dollars)
Total Dollar Market Turnover
Cedel 3,433.1 2,921.2 511.9
Eurocl. 4,723.8 4,104.6 619.2

Mexico, Banks Reach Accord on Wording for Loans

(Continued from Page 7)
time, the borrower and its lenders will attempt to find a mutually satisfactory alternate to the prime. If no agreement is reached, the borrower can prepay the loan at no penalty.
The status of the enormously successful \$1-billion facility for Bancobras (managers achieved an almost unheard of 90 percent sell-down during syndication) is a bit stickier. Bancobras had issued to managers a written mandate that included the mechanical formula for switching to the CD rate.
In effect, Bancobras is seeking to reward that mandate — a move the banks have been resisting for

some months. The ENCE and Banco Somex deals were syndicated with the understanding that suitable wording on the pricing mechanism remained to be agreed upon.
Consent Obtained
Bank of America and Bankers Trust, respectively lead manager and agent bank on the Bancobras deal, have obtained the consent of the other eight lead managers to change the wording and are in the process of polling the entire syndicate for their acceptance — which is expected.
One result of all this is that

Mexican borrowers will no longer be allowed to issue mandates — the finance ministry will now handle all the details of such international operations.
One irony of doing business with Mexico that bankers do not want to discuss is that their loans enable Mexico to keep the price of its oil higher than warranted by market conditions.
Mexico needs huge sums of money to finance its very ambitious development program, which is keeping the economy expanding at an 8-percent "real" rate of growth. Its oil exports are the base for this growth. But Mexico is unwilling to price its oil to sell — a \$4 per-barrel cut in the price was abruptly rescinded to \$2 and major buyers have refused to buy.
If Mexico needed the money, it would be forced to set a price that oil companies would accept. Instead, Mexico has simply calculated the shortfall from the anticipated decline in this year's oil sales and added that amount to what it plans to borrow from the banks. In effect, the banks are financing Mexico's insolvency.
This is really no different from the huge loans Western banks made during the 1970s to Eastern Europe, enabling those countries to escape the hard "guns or butter" choices by making guns and importing butter on Western credit. It was the same when Brazil, Mexico, Colombia and other coffee producers were actively storing beans rather than sell at a time when prices were declining from record highs.

about another \$5 billion given the unexpectedly high level of interest rates and the income shortfall from the drop in oil sales.
The government aims to complete this borrowing by autumn, leaving the winter months to get a head start on the borrowing requirement for 1982, an election year. The target is to get next year's borrowing completed before the election so that the new administration will have time to settle into office before hitting the market.
Mexico's external debt is expected to total \$40 billion by the end of this year, but the official noted that while the size of the debt increases its proportion to gross domestic product declines — 23 percent of GDP last year vs. 33 percent in 1977.

California Corporations Commissioner Geraldine D. Green is expected to decide by Tuesday whether or not to approve Continental's plan, under which 15.4 million new shares will be issued to an employee trust, giving the workers 51 percent control.

VW Status Poses Problems

(Continued from Page 7)
than 15 percent a year seems to require considerable faith.
Volkswagen sales in the first half of this year were down 4 percent, to 146,930.
Volkswagen's management sees a "pent-up market for cars" building while high interest rates discourage buyers. Auto analysts, however, anticipate a market that will have some strength but in general will remain flat.
Part of Volkswagen's problems reflect increased competition and a change in motorists' buying habits. The Beetle's popularity was assured by its modest price and unusual style in a market that consisted mostly of larger cars. But now the Rabbit (known as the Golf in Europe) must compete with a multitude of other small cars, including some Japanese models that analysts say are comparable in engineering. Finisher in appearance and, in some cases, less expensive than the Rabbit.
The discrepancy between Volkswagen's sales forecasts and those of others is making industry observers assume that the West German manufacturer may have something else in mind for the Sterling Heights plant.
"What looks to me and you like an impossible growth in sales is

impossible," an industry analyst said. "But Volkswagen's management and financial planners are the best around. You can bet they understand the market well and are not going to do anything stupid."
Volkswagenwerk is talking to Nissan about making cars in Japan. And some industry sources believe the West German company has proposed a joint venture with the Japanese company at Sterling Heights.
Volkswagen denies such discussions, and it refuses to say what kind of cars will be assembled at the Sterling Heights plant.
As for the Rabbit, Volkswagen depends on the car's fuel efficiency and reputation for quality to attract buyers. When Volkswagen executives are pressed on how their sales can jump dramatically, they smile and mention Volkswagen's "tradition of technology."
But Volkswagen's present troubles do not necessarily make its decision to come to the United States a bad decision.
"Over the long term, the immediate goals might not be quite so important," said Henry Mathews, a senior consultant with Arthur D. Little. "They are a worldwide manufacturer, and they have proved they are technical leaders. That gains them a lot."

THE KYOWA BANK, LTD.
Total Assets: US\$32 billion
Head Office: 1-2, Otemachi 1-chome, Chiyoda-ku, Tokyo, Japan. Tel: 03-287-2111
Telex: 24275 Overseas Offices: London, New York, Los Angeles, Singapore, San Paulo, Frankfurt, Amsterdam, Geneva, Hong Kong, Seoul, Bahrain
Overseas Subsidiaries: Kyowa Finance (Hong Kong) Ltd., The Kyowa Bank of California, Kyowa Bank Nederland N.V.
Loth
The annual report for the year 1980 of
Leveraged Capital Holdings N.V.
has been published and may be obtained from
PIERSON, HELDRING & PIERSON N.V.
Amsterdam.

Gold Options (quotes in \$/oz.)
Price Bid Ask
400 228.10 228.20 27.00-28.00 Feb. 82
200 228.10 228.20 27.00-28.00 Feb. 82
100 228.10 228.20 27.00-28.00 Feb. 82
50 228.10 228.20 27.00-28.00 Feb. 82
25 228.10 228.20 27.00-28.00 Feb. 82
Valour White Weld S.A.
Options on Mercedes
221 Queen's Boulevard
Tel. 314251 - Telex 28308

THE PHILIPPINE INVESTMENT COMPANY S.A.
Next Asset Value as of June 30, 1981 U.S. \$8.48
Listed Luxembourg Stock Exchange
Agents
Banque Commerciale du Luxembourg
Investment Bankers
Mandate Pacific Securities S.A.

Loth
The annual report for the year 1980 of
Leveraged Capital Holdings N.V.
has been published and may be obtained from
PIERSON, HELDRING & PIERSON N.V.
Amsterdam.

All these Bonds having been sold, this announcement appears as a matter of record only.
NEW ISSUE June 1981
CITY OF VIENNA
Republic of Austria
Swiss Francs 100,000,000
7 3/4% Swiss Franc Bearer Bonds 1981-87-91
Kredietbank (Suisse) S.A. Nordfinanz-Bank Zürich
Clariden Bank Lloyds Bank International Ltd.
Armand von Ernst & Cie AG
Banco di Roma per la Svizzera
Bank und Finanz-Institut AG
Banque de l'Indochine et de Suez (Succursales de Suisse)
Caisse d'Epargne du Valais
CIAL, Crédit Industriel d'Alsace et de Lorraine
Fuji Bank (Schweiz) AG
Gewerbekbank Baden
Hypothekar- und Handelsbank Winterthur
Maerki, Baumann & Co. AG
Morgan Grenfell (Switzerland) S.A.
Sparkasse Schwyz

International Bond Prices - Week of July 9

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

Table of International Bond Prices. Columns include AmI Security, Middle Price, Conv. Pct., and Conv. Prem. %.

CONVERTIBLE BONDS

Table of Convertible Bonds. Columns include AmI Security, Middle Price, Conv. Pct., and Conv. Prem. %.

HIGHEST CURRENT YIELDS

Table of Highest Current Yields. Columns include Security, Yield, and Maturity.

Explanation of Symbols

Table explaining symbols for bond listings, including codes for countries and currencies.

Chicago Exchange Options

Table of Chicago Exchange Options. Columns include Option & price, Class, and various option details.

Over-the-Counter

Table of Over-the-Counter securities. Columns include Security, High, Low, Last, and Change.

Over-the-Counter

Table of Over-the-Counter securities. Columns include Security, High, Low, Last, and Change.

Over-the-Counter

Table of over-the-counter stock prices including various companies like American International, American Mutual, etc.

Consolidated Trading Of AMEX Listings

Table of AMEX listings with columns for stock name, price, and volume.

Consolidated Trading Of NYSE Listings

Table of NYSE listings with columns for stock name, price, and volume.

Treasury Bills

Table of Treasury bill rates for various maturities.

Kredietlux Indices

Table of Kredietlux indices for various sectors.

Big Corporate Mergers Are Coming Back into Style

David Kay, who heads the mergers and acquisitions department at the big brokerage firm of Drexel Burnham Lambert, said the Exxon acquisition was the first indication to big companies that "megabuck mergers" would not be quashed at first mention.

David Kay, who heads the mergers and acquisitions department at the big brokerage firm of Drexel Burnham Lambert, said the Exxon acquisition was the first indication to big companies that "megabuck mergers" would not be quashed at first mention.

Société Générale Group in 1980

For 1980 SOCIÉTÉ GÉNÉRALE's accounts showed: a balance sheet total on 31st December 1980 of 370,402 million francs, an increase of 20.4%.

Dividend: In its meeting of 29th May 1981, the Committee representing the shareholders decided: to pay a dividend of 12 francs per share plus a tax credit of 6 francs.

Consolidated Position: On 31st December 1980 the Group's consolidated balance sheet total was 410 billion francs.

The Société Générale Share: 1980 was a decisive stage for SOCIÉTÉ GÉNÉRALE in the development of private shareholding.

Banking Activity in France: The evolution of deposits and loans was affected by the stagnation of economic activity.

International Activity: SOCIÉTÉ GÉNÉRALE strengthened the means employed to increase the number of its interventions abroad.

Consolidated Balance Sheet of the Société Générale Group as at December 31st, 1980

Large table showing consolidated balance sheet with columns for Assets, Liabilities, and Equity for 1980.

Contingent Liabilities: Sureties, endorsements and other guarantees in favour of financial intermediaries.

Mutual Funds: A list of mutual funds with their respective prices and performance metrics.

Table of American Exchange Options with columns for option type, price, and date.

Table of American Exchange Options (continued) with columns for option type, price, and date.

Escorts & Guides Classified Advertisements for various cities including London, Amsterdam, Zurich, and New York.

Top 3:51 Mile In Oslo; Coe Sets 1,000-Meter Mark

By Neil Amdur
New York Times Service

OSLO — In perhaps the most amazing mile race ever, seven runners bettered 3 minutes 51 seconds Saturday night, led by Steve Ovett's 3:49.25.

Ovett's winning performance, during the Dulux Games at Bislett Stadium, was slower than his world-record 3:48.8 set here last year. But Saturday night's race, which followed Sebastian Coe's record-breaking 2:12.18 for 1,000 meters, was ushered in a new era in the mile.

Jose Luis Gonzalez was second in 3:49.67. Steve Scott edged Jim Ryan's 13-year-old U.S. record of 3:51.1, finishing third in 3:49.68.

Ryan's old mark also was broken by Todd Harbour, who was fifth in 3:50.34, two strides behind John Walker of New Zealand (3:50.26), the former outdoor world record holder. The remaining runners in order were Steve Cram, 20, of Britain, who finished second under his best previous time in 3:50.38, and Thomas Weschhage, of West Germany, 3:51.91. Eighth was John Robson of Britain in 3:52.44. Eamonn Coghlan of Ireland, the indoor mile king, was ninth in 3:56.50, a time that would have won most mile races a few years ago.

Inspiring Stadium

With a brisk early 400-meter pace of 51.6 seconds from James King, an American who was added to the field as a rabbit who was to lead the race, Coe sprinted past the 800-meter mark in 1:44.3, faster than the winning time in the 800 earlier in the evening.

Last year, Coe ran 2:13.40 here in setting the previous mark.

"There is something about this stadium," Coe, the 1980 Olympic 1,500-meter champion from Britain, said of his second world-record performance in a month. "It's the atmosphere. You can be lifted beyond belief before the gun goes."

Coe's triumph, before a crowd of 12,822, followed his world-record 800 (1:41.72) last month and a 3:31.95 for 1,500 meters, the third fastest ever, earlier in the week in Stockholm.

"Now I've got to slow him down," said Peter Coe, his father and coach, who was shouting out splits in the early stages on the 400-meter track and then waving a jacket at his son in the final straightaway, 30 meters from the finish. "Now I've got to rest and take care of him. I can't have him going over the top."

Another Olympic champion, Edwin Moses, extended his amazing string of victories in the 400-meter hurdles. And James Robinson, America's No. 1 half-mile, drove the last 60 meters and outlasted Harald Schmidt of West Germany in the final strides of the 800 (1:44.95 to 1:44.96). Pentti Siimes of Finland unloaded a winning javelin throw of 293 feet 4 inches.

But not all of the stars escaped. Grete Waitz of Norway was forced out of the 5,000-meter race with a foot injury while she was on a record pace at the 3,900-meter mark. Ingrid Christensen of Norway won the event in 15 minutes 28.49 seconds and was credited with a world record as she beat the mark of 15:30.36 set by Jan Merrill of the United States. A faster time has been posted by a woman, but it was in a race against men.

Carl Lewis won the 100-meter dash, but it was a painful victory that could curtail some of his immediate spring and long jump plans.

Moses, a familiar figure to Norwegian track and field fans, easily outdistanced five other competitors, including Bart Williams and James King, his American rivals, in 47.99 seconds. It was the 65th consecutive victory for Moses in a sprint that is in its fourth year. Moses, the 1976 Olympic champion, probably could have broken his world record of 47.13, but he costed the last 10 meters, with Williams a distant second in 49.93.

Lewis won the 100-meter dash in 10.19 seconds, but 10 meters from the tape he suffered a slight cramp in his right calf. Lewis said that as he crossed the finish line one foot ahead of his American rival, James Sanford, his right hamstring muscle tightened.

The 100 had been billed as a potential world-record race, with Lewis, Sanford, Allan Wells of Britain, the 1980 Olympic champion, and Stanley Floyd, another top-ranking American and Ernest Obeng of Ghana.

But Floyd's blocks went out from under him at the start, Wells slowed, sensing that the race might be recalled; Sanford stopped at the 90-meter mark, misjudging the finish line while slightly in front of Lewis at the time. And Herschel Walker, the University of Georgia star, fell down three steps into the race.

Cauthen Feels at Home in Britain

By Dave Anderson
New York Times Service

NEWMARKET, England — In his dark blue and light blue silks with the white jodhpurs and the boots, Steve Cauthen was no different — that boyish smile, those long fingers when he shook hands, the straight, dark hair. In his silks he could have been at Belmont or Santa Anita, but no, everything else was different. He was here at Newmarket, leaning on a wooden railing near the huge scale of the jockey's waiting room in this small stucco building with a thatched roof. Next to it was a brick building the size of a small farm house where they take the bets at this race track out here in the English horse country northeast of London.

When he spoke, the squeaky voice was different, too. Different accent. Different choice of phrases.

"Everything's fine over here with me," he said before the first race. "Good as gold."

He sounded more like the actor Dudley Moore than the kid who learned to ride horses in Kentucky.

That's only natural. Cauthen is in his third racing season in England now. Stay here that long and you'd sound different, too. To those who remember him riding Affirmed to the Triple Crown in 1978, he'll always be "The Kid" but he's not a kid anymore. He's 21 years old, perhaps half an inch taller than he was and a little heavier.

"I ride at about 114 now," he said.

He intends to ride here rather than in the United States "as long as I enjoy it here." He has a home near London, and he has adjusted to the different track here.

"They have 60 race courses here," he said. "I've ridden at all of them except one. No two courses are the same. I prefer the variety rather than going to the same track every day week after week like you do at Belmont or Aqueduct."

When he returned to Kentucky last winter he visited his Triple Crown horse, Affirmed, at Spendthrift Farms.

"He looked at me, but I don't know if he recognized me or not," Cauthen said. "I think he'd recognize me if I got on his back. That was my relationship with him. He knew who I was when I was on his back."

He has returned to America for a few races at the Meadowlands, Saratoga and Santa Anita, but he's an English jockey now.

"I really like it here — the people, the race courses, the way of life. You have to come over here and stay a while to appreciate it. I like the countryside, I like going up the Thames on a cruise. I like playing golf and tennis. I like watching Wimbledon on the television. I might go to the Open, the golf tournament. And over here racing is more of a sport. In America, it's a business, strictly. Here, it's a business but it's also a sport. I'm not saying one way is right or wrong. But that's the way it is."

Cauthen excused himself. He had to ride Ashenden, a 2-year-old colt, in the Plantation Maiden Stakes over seven furlongs.

At the nearby brick building, one window was selling the 5-pound tickets, and 10 windows were selling 1-pound tickets to men in tweed jackets or shirtsleeves, to women in tailored suits or sun dresses. Up on the manually operated board, Cauthen's horse was at 8-1, the fifth choice. Below was a sign, "going good." In the unshaded grass paddock surrounded by a wooden fence, the horses for the first race were being walked by grooms.

Soon the American jockey in the dark blue and light blue silks was boosted up on Ashenden, the No. 4 horse.

"He's done a good job, he has,"

Russians Easily Outclass U.S. Team at Track Meet

By John F. Burns
New York Times Service

LENINGRAD — The Soviet Union swept to an easy victory over the United States Saturday in the dual athletic meet here, stretching the lead established in the first day's events Friday to post an overall margin of 204 points to 178.

The victory, the 13th for the Russians in 17 meets since 1958, followed a familiar pattern. The American men, strong on the track, won their competition handsily, 118 points to 105, but Soviet dominance of the field events and the women's competition, which they won 99 points to 60, more than made up for the men's deficit.

For the Americans the high point of the day came with an outstanding performance by sprinter Cliff Wiley that won the 400-meter relay. Wiley, a 26-year-old law student from Baltimore, took the baton for the anchor leg step-for-step with Viktor Markin, the 400-meter gold medalist at the Moscow Olympic Games, then outpaced the Russian to win by five yards.

The Wiley-Markin matchup was the closest the meet came to offering a return of the Moscow Games as they might have been if the U.S. team had not boycotted the Olympics. Otherwise, the competition provided little that 20,000 spectators at Lenin Stadium here and millions who watched live on Soviet television could consider as a substitute for the traditional Olympic rivalry.

Outstanding Performers:

The Russians, naming the outstanding performers of the meet, split the honors evenly. The Americans named were Jeff Phillips, a 24-year-old student from Ohio, who won the 100-meter and 200-meter dash events, and Louise Lister, a 23-year-old high jumper from Texas, who won her event with a meet record of 6 feet 4 inches. The Russians honored were Yuri Sedykh, winner in the men's hammer throw, and Tatiana Anisimova, winner of the women's 100-meter hurdles and 200-meter sprint.

Soviet superiority in the field events was underscored when David McKenzie, a 32-year-old hammer-thrower, established an American record in the event of 237 feet 2 inches, more than a foot better than the old mark, and still finished third behind two Russians. The winner, Sedykh, twice Olympic champion, hurled the hammer 257 feet 6 inches, and that was more than 10 feet short of the world record established in the Moscow Games.

A small but vociferous group of Americans in the crowd at Lenin Stadium, mostly students at Leningrad University, cheered and waved hand-lettered banners for the U.S. winners. One favorite was Karin Smith, a 25-year-old javelin thrower, whose victory, along with Ritter's in the high jump, prevented a Soviet sweep of the women's field events.

Weak U.S. Team

A disappointment for the Americans came in the men's 800 meters, traditionally a strong event for the U.S. team but one that went to the Russians Saturday after a strong finishing burst by Anatoly Rebenyayak, a relatively unknown Russian.

The Americans, Randy Wilson and Mark Eynarset, set a relatively slow pace from the gun and appeared surprised when the Russian broke away in the last turn and relegated them to second and third places.

Privately, Soviet officials did not disguise their disappointment at what the American coaches acknowledged was not a top-flight American team. Although U.S. teams have lost to the Russians by wider margins in the past, not many U.S. squads have come here with fewer top-echelon performers.



Sebastian Coe runs the 1,000 meters in record time in Oslo.

U.S. Team Secures Victory Over Czechs In Davis Cup Tennis

From Agency Dispatches
NEW YORK — John McEnroe came to life Sunday to beat Tomas Smid, 6-3, 6-1, 6-4, and give the United States an insurmountable 3-1 lead in its Davis Cup zone semifinal against Czechoslovakia.

The victory advanced the United States into the semifinal round against Australia, which defeated Sweden.

Jimmy Connors was to meet Ivan Lendl of Czechoslovakia in the day's second singles match, the finale of the best-of-five-match format.

In the opening singles matches on Friday, Lendl defeated McEnroe 6-4, 14-12, 7-5, while Connors stopped Smid 6-3, 6-1, 6-2. The United States took a 2-1 lead on Saturday when Stan Smith teamed with Bob Lutz to down Lendl and Smid 9-7, 6-3, 6-2 in the doubles.

Smid was the victim of McEnroe's return to form that had given 22-year-old New Yorker the Wimbledon singles title only a week ago and had taken him to the No. 1 spot in the world. It was McEnroe at his finest.

In the final set, McEnroe broke Smid's service in the first game, the winning shot a backhand that caught the Czechoslovak at the net, then served out the set.

After the loss to Lendl, who also beat McEnroe in the French Open, McEnroe said he was worn out mentally as well as physically from his tumultuous two weeks at Wimbledon.

In Bastad, Sweden, Paul McNamee gave Australia a place in the zone semifinals with a 2-6, 6-4, 6-0, 6-4 victory over Mats Wilander of Sweden. The victory gave Australia a 3-1 lead. The remaining match, between Peter McNamara of Australia and Per Hjertqvist of Sweden, was called off when rain forced disruption of play with the score 6-6 in the first set.

In Timisoara, Romania, Guillermo Vilas clinched a 3-1 victory for Argentina when he beat Florin Segarceanu, 6-4, 6-4, 3-6, 6-1. Argentina will meet Britain in the semifinals.

In Christchurch, New Zealand, Buster Mottram, Britain's hero of the opening day, stepped down from his second singles match and it gave New Zealand its only success. Jonathan Smith, standing in for Mottram, who had a blistered hand, was beaten 4-6, 11-9, 6-2, by Russell Simpson in the second reverse singles to leave Britain as 4-1 winners.

Britain's triumph stemmed from Mottram's impressive victory on Friday, when he was down, two sets to one, and came back to beat Chris Lewis, the top New Zealand player. Lewis was again a disappointment to the home crowd Sunday, losing 6-2, 6-2, to Richard Lewis. It was such a listless display that Chris Lewis, at the suggestion of officials, apologized to the crowd of 3,000.

In Lerida, Spain, the Spanish team completed a 5-0 rout of



Stan Smith (left) watches his doubles teammate, Bob Lutz, make a play during their victory over the Czechoslovak team of Ivan Lendl and Tomas Smid in Davis Cup tennis competition.

Union Accepts, Owners Reject Proposal by Baseball Mediator

By Murray Chass
New York Times Service

NEW YORK — Talks in the baseball strike broke off again during the weekend after the owners' bargaining team rejected a federal mediator's proposal that had been accepted by the players' negotiators.

Disclosing that "it's getting nasty in there," Kenneth E. Moffett, the mediator, said he had no immediate plans to call another bargaining session.

Ray Grebey, the owners' chief negotiator, told a press briefing Saturday after two futile sessions with the players: "The meetings are recessed until further call by Moffett."

Marvin Miller, the players' union chief, said a few minutes later: "They came back with absolutely nothing. After one caucus, they advised us through the mediator that unless we had a new proposal they did not care to meet."

The Moffett plan divides the 26 teams into three groups (top nine, middle eight, bottom nine), and proposes professional compensation

if a premier free agent moves upward — from bottom or middle to top, or from bottom to middle. One of the owners' major objections to the proposal dealt with the teams that would receive professional compensation for the loss of a premier free agent.

Under the plan, there would have been no professional compensation if a premier free agent moved laterally within a group or moved downward. A team losing a player moving laterally would receive an amateur draft choice as compensation. A team losing a player to a team in a lower group would receive no compensation.

"That procedure yields virtually no compensation," Grebey said. "That proposal would require more compensation for players below the ranking player level than for a ranking player. The clubs never were interested in doing that."

The owners also objected to a cash payment, \$200,000 or \$150,000, depending on other variables, that would have to be made by the team getting the compensation player to the team losing him.

When Miller was asked if the owners' negotiators suggested any substitutes for those two provisions, he said, "I will quote Grebey: 'No, not at this time.'"

Controversy had surfaced over the authorship of the proposal. Grebey said that it was actually Miller who was the source of the proposal, and the union chief said that the owners' chief negotiator was lying.

After meeting until about 2 a.m. Saturday, the bargainers returned to the table at 11 a.m. and, in the next two hours, met jointly for about 40 minutes before recessing for lunch.

Moffett made a special trip to New York from Washington on Thursday to deliver the proposal to Grebey and Miller, and it became the primary topic of conversation when talks resumed Friday after a five-day recess.

Nancy Broff, general counsel for the Federal Mediation and Conciliation Service, said Saturday that she had no knowledge of Miller's involvement in drafting the proposal.

"I wrote it," Broff said. "Ken and I talked about it and I drafted it. We felt it could be something that would get talks going."

Grebey Amused

Mediator's Proposal

NEW YORK — Terms of the settlement proposal suggested by Kenneth E. Moffett, the federal mediator in the major league baseball strike:

A premier free agent will be defined as any eligible player in the top 20 percent at his position, based on statistical criteria over the most recent two-year period.

Players in the top 20 percent who have previously been free agents, those with more than 12 years of major league service, and those who are 35 or older will be excluded from the premier category.

Premier free agents can negotiate with any number of teams rather than being limited to selection by 13 teams in the free-agent draft. Other free agents will be subject to the draft as it has been conducted since 1976.

In any given year, only 12 premier free agents will require compensation of a professional player to the free agent's former team. The compensation for any additional premier free agents will be a special amateur draft selection.

The extent of compensation, given and received, will be determined by a team's relative standing. Based on two-year records, the 26 teams will be divided into three categories: the top nine, the middle eight and the bottom nine. If a premier free agent moves up two levels, from a bottom team to a top team, the signing team will protect 24 players, and the losing team will select an unprotected player. If a premier free agent moves up one level, from the bottom to the middle or from the middle to the top, the signing team will protect 30 players. If a premier free agent moves within the same group, the team losing him will receive an amateur draft choice. If a premier free agent moves downward, there will be no compensation.

When a team loses a free agent and receives a professional player as compensation, it will pay the compensating team a sum of money, presumably to reduce the punitive aspect of direct compensation. If the compensating team protects 24 players, it receives \$200,000. If it protects 30 players, it receives \$150,000.

Mediator's Proposal

When Grebey first discussed the Moffett plan publicly early Saturday morning, he displayed annoyance that it had been categorized as a proposal — he labeled it "suggestions" — and that details had been made public.

"It's most unusual," he said, "for suggestions from a third party to be presented to the press and played on national television before they are fully discussed at the bargaining table."

Grebey then said the owners could not accept the plan "line by line, word by word with no changes."

When he appeared at the press briefing at the lunch break, Grebey said, "Based upon the content of the mediator's proposal and the demand of the Players Association to accept it in toto, we reject it."

After stating the owners' two major objections to the plan, however, he said, "There are many aspects of it that are not objectionable and are open to negotiation."

Counterproposal

Miller said the owners did not address their objections to Moffett's proposal as he said they had promised to do. Grebey, however, said the owners' counterproposal did just that.

In that counterproposal, made Friday night, the owners divided the teams into levels within each league but called for professional compensation in all premier free agents for whom professional compensation would be required. The maximum, however, could change in the third year, 1983, if there were fewer than 10 premier free agents in the 1982 draft.

All-Star Game Postponed

CLEVELAND (AP) — Bowie Kuhn, the baseball commissioner, has announced that the all-star game, originally scheduled for July 14, has been postponed indefinitely because of the strike.

"We hope that when our player problems are settled, we can reschedule the game, although it is impossible at this time to set a specific date," he said.

Red Smith: On Making a Pilgrimage to Mecca, Maine

NEW YORK Times Service
OLD TOWN, Maine — There were these two kids in Green Bay, Wis., faithful readers of "Boys' Life" and "The American Boy." Both magazines carried seductive advertisements for the Old Town canoe, and the kids had a dream. If they had an Old Town canoe they would ship it by rail to the Chain of Lakes country in the northern Wisconsin woods, paddle through the lakes to the source of the Wisconsin River, ride the Wisconsin southwest to the town of Portage, where a mile overland would take them to the headwaters of the Fox, which flows northeast through Lake Winnebago to Green Bay.

They agreed to save their pennies to buy a canoe, "which in those days," Mike Faunce said recently, "consulting an old catalogue, would have required about 3,600 pennies."

"An incredible memory," one of the former kids told him, "suggests that we had about \$1.69 in the treasury when we quarreled about something and dissolved the partnership."

Finally Arrived

For the first time in his life, the former kid had found himself in Old Town, and had steered directly for the five-story plant where Old Town canoes, kayaks, dinghies and even rowing shells are built. Old Town is a translation of the name the Penobscot tribe of Abenaki Indians had for an ancient settlement on the Penobscot River. To a faithful reader of "Boys' Life" and "The American Boy," it is pronounced "Mecca."

"Your canoe," Mike Faunce said, "would have been canvas over a wooden frame, the only kind the company built in those days. We still build them that way but we also have wooden canoes with fiberglass covering, fiberglass canoes and plastic canoes. Today they retail from about \$550 to \$2,000 or so."

Mike Faunce and Sandy Christensen doubled as guides on a tour of Mecca. Here was the classic wooden canoe.

"The planking is western red cedar," Sandy said. "The ribs are white cedar. The thwarts and decks are oak. On the gunwale, the inner rail is Sitka spruce, the outer rail mahogany. Recently we've gone back to the traditional diamond-shaped head on the bolts holding the thwarts."

"Some people," Mike said, "buy these boats and never put them in the water, just keep 'em in the living room as a work of art."

How Many Tacks?

In the next room Joe Lavoie and John Hardisty were fitting ribs on the iron-bound form of a canoe, which is to a boat builder as a dressmaker's dummy is to a seamstress. John took the cedar strips out of a steamer and together they bent them over the mold and tacked them down. Then, working swiftly before the pliable wood could dry, John fitted on planking lengthwise, securing it with brass tacks temporarily stored in his mouth.

"A visitor asked how many tacks this job took," Mike said. "The man doing it thought that

Red Smith: On Making a Pilgrimage to Mecca, Maine

kept in the plant. A one-year supply is in use and a like quantity is drying for a year. Besides the boats, virtually all accessories are made here, including sails.

"Until recently," Mike said, "we had a seamstress in the sail room who was 82 years old and had been working here since she was 15, with just enough time out to have two children."

"This is the Tripper," Sandy said, pausing before a 17-foot plastic canoe. "Maybe you saw the ad."

Built-In Memory

She referred to a sequence of photographs showing the canoe being flung from the factory roof about 60 feet from the ground. First, the advertisement testifies, she flooded her and wrapped her around a bridge abutment. Twice. Each time the material's built-in memory allowed the hull to return to its original shape."

"Then," Mike said, "they had to throw it off the roof five or six times so the photographer could get his sequence." The boat is still on display here.

Transactions

BASKETBALL
National Basketball Association
CHICAGO—Announced that they would not exercise their first of five options, Cleveland Bobby Wilkerson, forward, to join the Cleveland Cavaliers.

FOOTBALL
National Football League
CHICAGO—Signed Tully Bells, defensive back; and Scott Zolak, defensive end.
CLEVELAND—Signed Hankford Dixon, cornerback.
DALLAS—Preston Pennington, running back, 78 lbs.
DENVER—Signed Dennis Smith, defensive back; and John Harbark, linebacker.
MIAMI—Signed Charley Winner, area scouting director.
PITTSBURGH—Signed Rich Donnelly, center.

HOCKEY
National Hockey League
EDMONTON—Signed Ted Green on optional contract.

CFL Standings

Eastern Division

Team	W	L	T	PCT	PF	PA
Houston Oilers	7	0	1	1.000	52	23
Montreal	1	0	5	.500	31	29
Ottawa	0	2	0	.000	31	94
San Diego	0	2	0	.000	40	42

Western Division

Team	W	L	T	PCT	PF	PA
Brussels	1	0	1	.500	48	8
Toronto	2	0	0	1.000	77	31
Seattle Seahawks	1	0	0	1.000	19	18
Calgary	1	0	0	.500	19	18
Winnipeg	0	0	1	.000	23	33

Friday's Results
Montreal 17, Toronto 0
Saturday's Results
Houston Oilers 10, Philadelphia 10 (10:00 a.m.)

Language

Compound Nuisance

By William Safire

NEW YORK — A new and virulent strain of compound adjectives is attacking the body of language.

Two decades ago, "related" was the heavy-use compound, a favorite of people who littered their sentences with "vis-a-vis," "in terms of" and "with respect to."



Safire

Then came "oriented." If you had a word-oriented mind, you could watch the jargon-oriented people take their action-oriented stanzas.

The assistant secretary of state assigned to Pacific-related affairs was called "Orient-oriented."

Today the hot new combining form for adjectives is "intensive."

Robert Sisco of Piscataway, N.J., sends in this clipping from The Bridgewater Courier News: "The most effective way to overcome dryness is to install a humidifier in the home."

The temptation is to stuff dampened cheesebloss into the speaker's pretension-intensive mouth. This compound began, I think, with "labor-intensive," soon followed by "capital-intensive."

Margaret Mead nominated both words for inclusion in the American Heritage Dictionary in 1975, but the lexico-

graphers wanted to wait for more additional evidence.

Came the avalanche. Nobody now says "requiring heavy investment" when "capital-intensive" will do, and "labor-intensive" has been stretched to include "back-breaking."

In an article by Steve Lohr in The New York Times Magazine about semiconductors and microprocessors early this year, the writer held: "Unlike steel, autos and some others, this industry has never been an oligopoly."

It has always been a brain-intensive industry, rather than a capital-intensive one.

Disoriented economists tend to get pedantry-intensive; the solution-related answer is to laugh them out of it.

A DOCUMENT has been leaked to me by a mole in the Department of Commerce. It is a memorandum on stylistic preferences from Jean Jones, who is director of something called the Executive Secretariat.

"So that's what happened to the typing pool. Who wants to be the lifeguard at the Big Shot's Typing Pool?"

Miss Jones is my kind of executive secretary. She quotes her boss, Commerce Secretary Malcolm Baldrige, as one who wants prose "halfway between Ernest Hemingway and Zane Grey with no hyphenation."

Let us go across the river and into the riders of the purple sage: "Discontinue using the following words," she advises her co-workers, and lists "viable, input, image, orient, maximize, therein," instead of "delighted," "happy" and "glad" she suggests "pleased" and urges "ongoing" be replaced by "is in process" or "is moving forward."

She then plays "The Killers" to writers of the purple prose. "Discontinue using the following phrases: prior to (use before), subject matter, very much, share (as in 'share your concern'), as you know, more importantly (use 'more important'), needless to say."

I'm with Executive Secretariat all the way. (Could it be that a great racehorse has, in retirement, become a business leader?) Hats off to the Commerce Department's timely assault on stereotypes and bromides.

At the suggestion of my colleague, Ed Cowan, I am pleased to add only this: Discontinue "discontinue." Use "stop."

Use "stop."

A Mansion for Daddy Warbucks

By Michael deCourcy Hinds

NEW YORK — The set designers needed a mansion for shooting "Annie," Columbia Pictures' film version of the long-running Broadway musical. But just any mansion. The director, John Huston, wanted one that could easily house the film's eccentric billionaire, Daddy Warbucks, and copies of such colossal status symbols as Rembrandt's "Night Watch," the Winged Victory and the Venus de Milo.

For months, nothing appropriate turned up. The best houses had long since become museums, and, according to Dale Hennessy, the production designer, others, like the familiar palace of Newport, R.I., had lost their ability to dazzle by appearing in too many films and television commercials.

"All along, the scout manager kept telling me about some administration building at a college he had attended in New Jersey," Hennessy said. The description did not sound very promising. "Finally, when we were getting behind, I said, 'Let's go see it. And the minute I walked in the house, I said, 'This is it! This is Daddy Warbucks!'"

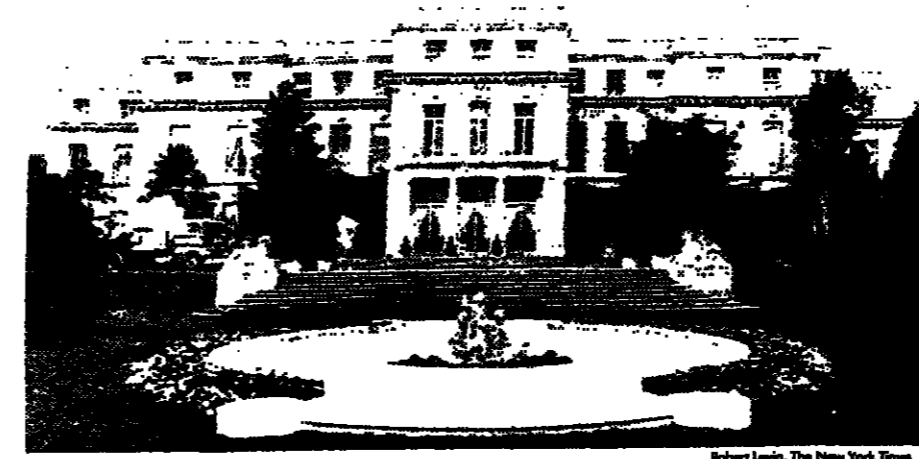
The limestone mansion, the centerpiece of the Monmouth College campus in West Long Branch, N.J., modeled after Versailles. While it is not as large, it conveys a similar sense of overreaching extravagance.

The three-story, \$10.5-million mansion was designed in the 1920s by Horace Trumbauer for Hubert T. Parson, who was president of the F.W. Woolworth Co. until 1932. It took three years to design, three years to build and two years to decorate, and within 10 years Parson lost it to the town for non-payment of \$132,000 in taxes.

After serving as a military academy, a military hospital and a girls' school, the mansion and its 108 acres were bought in the 1950s by the private college.

Shadow Lawn, as it is called, has 130 rooms, not including the 2,500-square-foot main hall with its 75-foot Venetian glass ceiling. At night, lamps above the stained glass make it glow like a display case at Tiffany's.

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Garden side of Shadow Lawn

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PEOPLE: 'Boy-Next-Door' Roles

One thing seems more and more certain about President Reagan as time goes by: He used to write a lot of letters. They keep popping up at autograph auctions, many of them conducted by Charles Hamilton, the New York dealer. At an auction on Aug. 6, Hamilton will offer a 1950 letter in which Reagan expressed concern that his acting career might be slipping into a rut because he was playing "the boy next door" too often.

The letter, on stationery of the Plaza Hotel in New York, was to Sam Berns, a Los Angeles scriptwriter, and the actor who would become president told him: "You have a good story there and it should make a good picture but I feel it is too much of the thing I personally must break away from. My career started to slip into a 'boy next door' and 'nice fellow' type of thing and I still have some of those unreleased — including one in which I play a lawyer. For that reason I honestly must say 'no.' It wouldn't work out."

Reagan letters have been selling at good prices. Hamilton said, and he expects to get at least \$400 for this one.

On his visit to Rio de Janeiro last July, Pope John Paul II went to a favela — a community of the desperately poor — known as Vidigal. He climbed a steep dirt road to the slum, where he received a tumultuous welcome. The pope was so stirred by his reception that he took a gold ring from his finger and donated it to the favelados, or slum dwellers, of Vidigal. Now, the community has decided that, even for the poor, it is better to give than to receive, and has turned the ring over to Caritas Evangelica.

Caritas is a National Museum of Sacred Art in Rio's cathedral. "It's very clear that this represents the desire of the community," says Paulo Roberto Mañiz, president of the Association of Residents of Vidigal. "The ring was not given exclusively to the residents of Vidigal, but to all the favelados." For remembrance, though, a replica of the ring will be kept in a chapel in Vidigal that the pope had dedicated on his visit.

Opera buff in Peking gave Sarah Caldwell a tumultuous ovation on Saturday after the Boston Opera director conducted her first performance of Verdi's "La Traviata" in the Chinese capital. A capacity audience of 1,700 applauded for Miss Caldwell until she went on stage to take her bows along with the Chinese singers and musicians of Peking's Central Opera Co. During intermissions, members of the audience gathered at the edge of the orchestra pit to view Miss Caldwell, who was dressed in red, white and blue.

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